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94-2

94th Congress
2d Session

COMMITTEE PRINT

COMMITTEE ON THE BUDGET
U.S. HOUSE OF REPRESENTATIVES

CHAIRMAN'S RECOMMENDATIONS
FOR
THE FIRST CONCURRENT RESOLUTION
ON THE
FISCAL YEAR 1977 BUDGET

MARCH 23, 1976

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PART 1.

MARK-UP PROCEDURES AND MATERIALS
AND
LAW RELATING TO THE FIRST BUDGET RESOLUTION

MARK-UP PROCEDURES AND MATERIALS
AND
LAW RELATING TO THE FIRST BUDGET RESOLUTION

Mark-Up Procedures

March 23-31

(1) The Economic Outlook (Nancy Teeters) -- Review of the current economic outlook for 1976 and 1977, comparisons with past revenues, and the economic impact of various spending and revenue levels.

(2) The FY 1977 Budget and Current Services (Bruce Meredith) -- Overview of the President's FY 1977 budget, current services funding levels, and Committee views and estimates.

(3) The CBO and JEC Reports (George Gross) -- Review of the Congressional Budget Office and Joint Economic Committee reports to the Budget Committee (required by the Budget Act).

(4) Making in Order Chairman's Recommendations -- The Chairman will move to make in order for consideration his recommendations for the five budget aggregates and the various functional categories; and provide a general explanation of his recommendations.

(5) Consideration of Chairman's Recommendations --

(a) recommended level of revenues to be determined on a tentative basis;

(b) levels of appropriate budget authority and outlays to be determined for each functional category on a tentative basis;

(c) both revenues and budget authority and outlays for functional categories to be finally determined; and

(d) appropriate level of public debt to be determined.

March 31 (Wednesday)

Resolution to be ordered reported.

April 6-8 (Tuesday - Thursday)

Report on resolution to be circulated for review and filing of additional and minority views, if any.

April 9 (Friday)

Resolution and report to be filed.

Mark-Up Materials

The mark-up books contain the following materials:

(1) data on the economy and the economic outlook for 1976 and 1977;

(2) summaries and comparisons of the President's FY 1977 budget, current services estimates, Committee estimates, and the Chairman's recommendations;

(3) resolution containing the Chairman's recommendations for FY 1977;

(4) mark-up sheet for revenues, including comparisons with other estimates;

(5) mark-up sheets for functional categories, including overview of major programs and agencies covered; comparisons of Chairman's recommendations with the President's budget, current services levels, and House Committee estimates; and summary of tax expenditures attributable to each function.

Materials relating to the transition quarter and revision of the second budget resolution for FY 1976 will be provided separately.

LAW RELATING TO THE FIRST BUDGET RESOLUTION FOR FY 1977

The first budget resolution for a particular fiscal year is required by section 301 of the Budget Act. It must include:

(1) the appropriate level of total budget outlays and of total new budget authority;
(2) an estimate of budget outlays and an appropriate level of new budget authority for each major functional category, for contingencies, and for undistributed intragovernmental transactions, based on allocations of the appropriate level of total budget outlays and of total new budget authority;
(3) the amount, if any, of the surplus or the deficit in the budget which is appropriate in light of economic conditions and all other relevant factors;
(4) the recommended level of Federal revenues and the amount, if any, by which the aggregate level of Federal revenues should be increased or decreased by bills and resolutions to be reported by the appropriate committees;
(5) the appropriate level of the public debt, and the amount, if any, by which the statutory limit on the public debt should be increased or decreased by bills and resolutions to be reported by the appropriate committees; and
(6) such other matters relating to the budget as may be appropriate to carry out the purposes of this Act.

The report on the resolution must include:

(1) a comparison of revenues estimated by the committee with those estimated in the budget submitted by the President;
(2) a comparison of the appropriate levels of total budget outlays and total new budget authority, as set forth in such concurrent resolution, with total budget outlays estimated and total new budget authority requested in the budget submitted by the President;
(3) with respect to each major functional category, an estimate of budget outlays and an appropriate level of new budget authority for all proposed programs and for all existing programs (including renewals thereof), with the estimate and level for existing programs being divided between permanent authority and funds provided in appropriation Acts, and each such division being subdivided between controllable amounts and all other amounts;
(4) an allocation of the level of Federal revenues recommended in the concurrent resolution among the major sources of such revenues;
(5) the economic assumptions and objectives which underlie each of the matters set forth in such concurrent resolution and alternative economic assumptions and objectives which the committee considered;

(6) projections, not limited to the following, for the period of five fiscal years beginning with such fiscal year of the estimated levels of total budget outlays, total new budget outlays, total new budget authority, the estimated revenues to be received, and the estimated surplus or deficit, if any, for each fiscal year in such period, and the estimated levels of tax expenditures (the tax expenditures budget) by major functional categories;

(7) a statement of any significant changes in the proposed levels of Federal assistance to State and local governments; and

(8) information, data, and comparisons indicating the manner in which, and the basis on which, the committee determined each of the matters set forth in the concurrent resolution, and the relationship of such matters to other budget categories.

The resolution must be adopted by May 15. Prior to its adoption, neither the House nor the Senate may consider, with certain exceptions, legislation which provides new budget authority for FY 1977; or entitlement authority, increases or decreases in revenues or the public debt, to become effective during the ensuing fiscal year.

Effect of the First Resolution -- The first budget resolution establishes targets only. These targets are intended to guide and influence Congress's subsequent revenue, spending, and debt actions. There is no provision in the Budget Act permitting a point of order to be raised asserting that legislation would breach these targets.

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HIGHLIGHTS

OF THE

CHAIRMAN'S RECOMMENDATIONS

FOR THE

FIRST BUDGET RESOLUTION FOR FY 1977

Key Fiscal Policy Aggregates

Outlays	$412.8 billion
Revenues	363.0 billion
Deficit	49.8 billion

Major Objectives

(1) To continue and sustain the economic recovery underway so that growth will continue through 1977 and unemployment will continue to decline,

(2) To provide a reasonable balance between spending for domestic and defense needs,

(3) To encourage needed reforms in Federal programs, and

(4) To promote more realistic budgeting.

Sustained Economic Recovery

The President's restrictive fiscal and spending policies threaten to arrest the beginnings of economic recovery we are now experiencing. This policy reflects a callousness toward the unemployed which Congress must reject. Therefore, the principal fiscal policy goal is to assure a sustained recovery through 1977.

To achieve that objective --

(1) the 1975 tax cuts should be extended, but the Congress should reject the President's mixed bag of additional tax proposals, providing further cuts in progressive general income tax rates, on the one hand, and off-setting them with increases in regressive social security tax, on the other hand; and

(2) the Congress should continue its FY 1976 policy of targeted spending over the President's budget to provide economic stimulus and reduce unemployment; it should reject the President's approach to economic stimulus through tax incentives to the business sector.

The President's policy of phasing out the public service jobs program should be scrapped. The Congressional budget should provide increased spending to continue the public service jobs program and employment and training programs targeted at special groups (such as summer youth, welfare recipients, and the aged). In addition, the weakest sector of the housing industry -- rental housing -- should be stimulated through increased HUD assistance ($5 billion) for rental housing mortgages.

Adoption of these proposals would reduce the unemployment rate at the end of 1977 to 6.2%, well below the President's projection of 6.7%.

Balanced Spending for Domestic and Defense Needs

Unlike the President's drastic shifting of priorities from human resource programs to defense, a $413 billion spending level can maintain a balanced approach to meeting the Nation's needs.

First -- it can provide a reasonable increase for defense spending (an 8 percent increase in real growth for defense purchases apart from pay costs, in contrast to the President's 16 percent increase proposal).

Second -- it can reverse the President's policy of shifting the burden of needed programs to states and local governments, providing about $9 billion more for states and localities than the President's budget.

Third -- it can restore the President's drastic reductions in many human resources programs: such as Medicare, where the President proposes higher medical charges for the elderly; public housing, where the President proposes higher rents for our lowest-income citizens; and education, where the President proposes spending nearly $2 billion less than the FY 1976 appropriations level.

And fourth -- it can provide substantial direct aid for new initiatives in energy. However, where the President proposes a great deal of aid for energy off-budget, the Congress should fund these programs on budget through the appropriations process to ensure continuing and effective Congressional scrutiny.

Reforms of Existing Federal Program

A great deal of the spending proposal for FY 1977 can be achieved through Congressional reform of current programs and activities.

Consequently, the recommendations embodied in the $413 billion spending level provide for important program reforms.

Federal pay -- They accept the President's proposals for pay reform, with savings estimated at $1.2 billion in FY 1977 and $10.4 billion through FY 1981;

Food stamps -- They continue the food stamp program -- roughly at about $5.8 billion -- but with savings of about $400 million assumed through a reasonable approach to reform, rejecting the drastic $1.4 billion in reductions proposed by the President.

Health programs -- They assume enactment of cost-control legislation designed to curb the rise in Medicare and Medicaid spending, with a FY 1977 impact of about $700 million.

Veterans programs -- They propose to tighten or eliminate the pre-payment provisions in the veterans readjustment programs, which can save at least $200 million in FY 1977.

Realistic Budgeting

FY 1976 Experience -- Our first year of experience with the budget process demonstrated the difficulty of making authoritative spending decisions in many areas. In veterans readjustment benefits, for example, an overly optimistic economic forecast by the President resulted in the need for budget amendments totalling $2 billion through the fiscal year. Similarly, an overoptimistic forecast concerning off-shore oil receipts resulted in a more than $5 billion swing in the Federal budget.

Overall the President increased his FY 1976 outlay estimate by some $24 billion from his original estimate last year to his current FY 1976 estimate. Over $18 billion of that increase is due to understated outlays in selected major programs.

Estimating Federal outlays is a difficult business under any circumstances. They are subject to forces in the economy, actions of state and local governments, international events, and acts of God. Budgeting is made more difficult, however, if those involved simply refuse to face up to often unpleasant facts.

Veterans Cost-of-Living Increases Omitted -- This year as last, the President's budget does not include funds for veterans' cost-of-living benefit increases which are provided annually by the Congress in a Spring supplemental. In fact, the President assumes an 8% cut in pension benefits on October 1, 1976. The cost of the increase in FY 1977 (for pensions, compensation, and readjustment benefits) is likely to be about $1.2 billion. The result is to understate Federal spending and the President's deficit by that amount.

In order to encourage more realistic budgeting, I have not included this amount in my recommendations. I am certain, of course, that this increase will be provided, and should be provided. And, I am equally certain that the President does not oppose this increase. Consequently, I ask the President to submit a formal budget amendment for $1.2 billion in this area, and I will happily offer that amendment during our mark-up or during floor consideration.

Off-Shore Oil Leasing Understates Outlays -- I also call on the President to restrain his optimism on expected off-shore oil receipts ($6 billion). Last year, the President's budget estimated $8 billion in off-shore oil receipts. Subsequently, his estimate was reduced to $6 billion. OMB's latest estimate for FY 1976 is approximately $3 billion, and the CBO puts it at $2.6 billion. Obviously, for an entire year, the President's outlay level and his budget deficit have benefited substantially through this wholly unrealistic revenue estimate.

Overstated Savings for Medicare Reform -- Finally, I call on the President to submit reestimates to the Congress as soon as possible for the Medicare program. The President's budget estimated savings for this program through proposed program reforms. Analysis of the President's specific legislation submitted after the budget demonstrates that savings were overstated in the budget by about $900 million. In such cases, the President should submit a revised budget estimate immediately.

PART 2.

ECONOMIC SITUATION AND OUTLOOK

ECONOMIC SITUATION AND OUTLOOK

Measures of Output Adjusted for Inflation
(In billions of dollars)

History:	1973 4th Qtr.	1975 2nd Qtr.	Change	1975 4th Qtr.	Change
Gross National Product	$ 1,240.9	$ 1,168.1	$ -72.8	$ 1,216.2	$ +48.1
Consumption	762.8	764.1	+ 1.3	779.4	+15.3
Business Investment	133.9	110.8	-23.1	112.3	+ 1.5
Residential Construction	54.3	34.0	-20.3	40.7	+ 6.7
Change in Inventories	+24.4	-20.7		-1.6	
Industrial Production	1.0%	-4.5%		12.5%	
Consumer Price Index	9.8%	6.2%		6.6%	
Unemployment Rate	4.8%	8.7%		8.5%	

Outlook:[1]	1975 4th Qtr.	1976 4th Qtr.	Change	1977 4th Qtr.	Change
Gross National Product	$ 1,216.2	$ 1,284.9	$ + 68.7	$ 1,356.8	$ +71.9
Consumption	779.4	822.1	+ 42.7	859.6	+37.5
Business Investment	112.3	117.9	+ 5.6	132.7	+14.8
Residential Construction	40.7	46.8	+ 6.1	53.6	+ 6.8
Change in Inventories	-1.6	+9.0		+13.5	
Industrial Production	12.5%	10.5%		6.9%	
Consumer Price Index	6.6%	5.9%		5.4%	
Unemployment Rate	8.5%	7.0%		6.2%	

1/ House Budget Committee staff estimates based on $415 billion Federal expenditures.

Outlook by Annual Rates of Change and Averages: 1/

Calendar Years	Annual Rates of Change 1975 (actual)	1976 (est.)	1977 (est.)
Gross National Product (adjusted for inflation)	- 2.0%	6.2%	5.7%
Consumption	0.9	5.2	4.9
Business Investment	-12.0	3.2	9.6
Residential Construction	-18.2	20.8	16.8
Industrial Production	- 8.7	10.2	8.8
Consumer Price Index	9.2	6.4	5.5

Calendar Years	Annual Averages 1975 (actual)	1976 (est.)	1977 (est.)
Gross National Product (adjusted for inflation)	$ 1,186.1	$ 1,259.5	$ 1,330.7
GNP (Current dollars)	1,498.8	1,684.6	1,878.4
Corporate Profits	119.2	163.0	174.3
Personal Income	1,245.9	1,382.3	1,542.6
Unemployment Rate	8.6%	7.4%	6.7%
3 Month Treasury Bill Rate	5.78%	5.49%	6.63%
New Car Sales (millions of units)	8.7	10.2	11.0

1/ House Budget Committee staff estimates based on $415 billion Federal expenditures.

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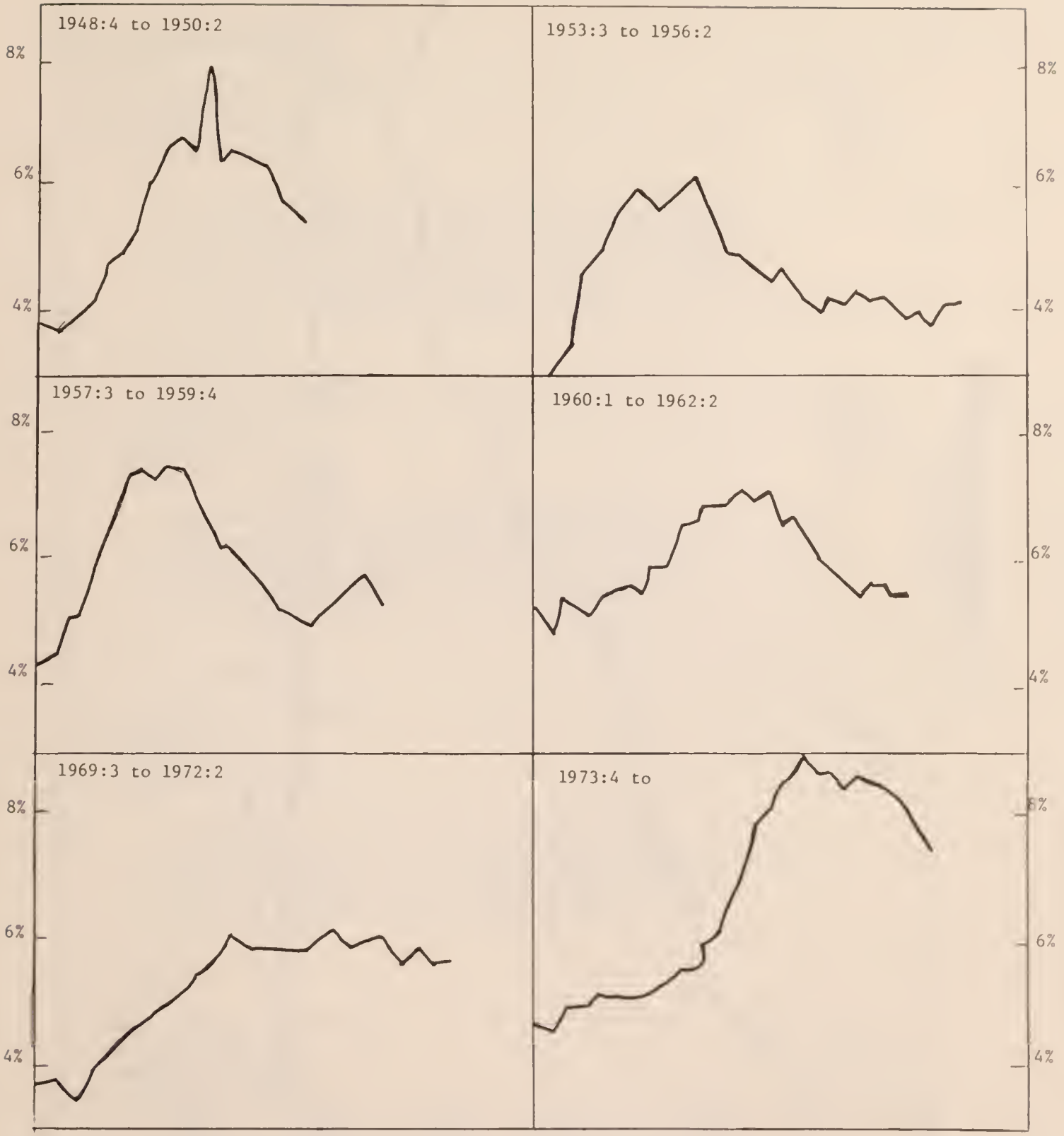
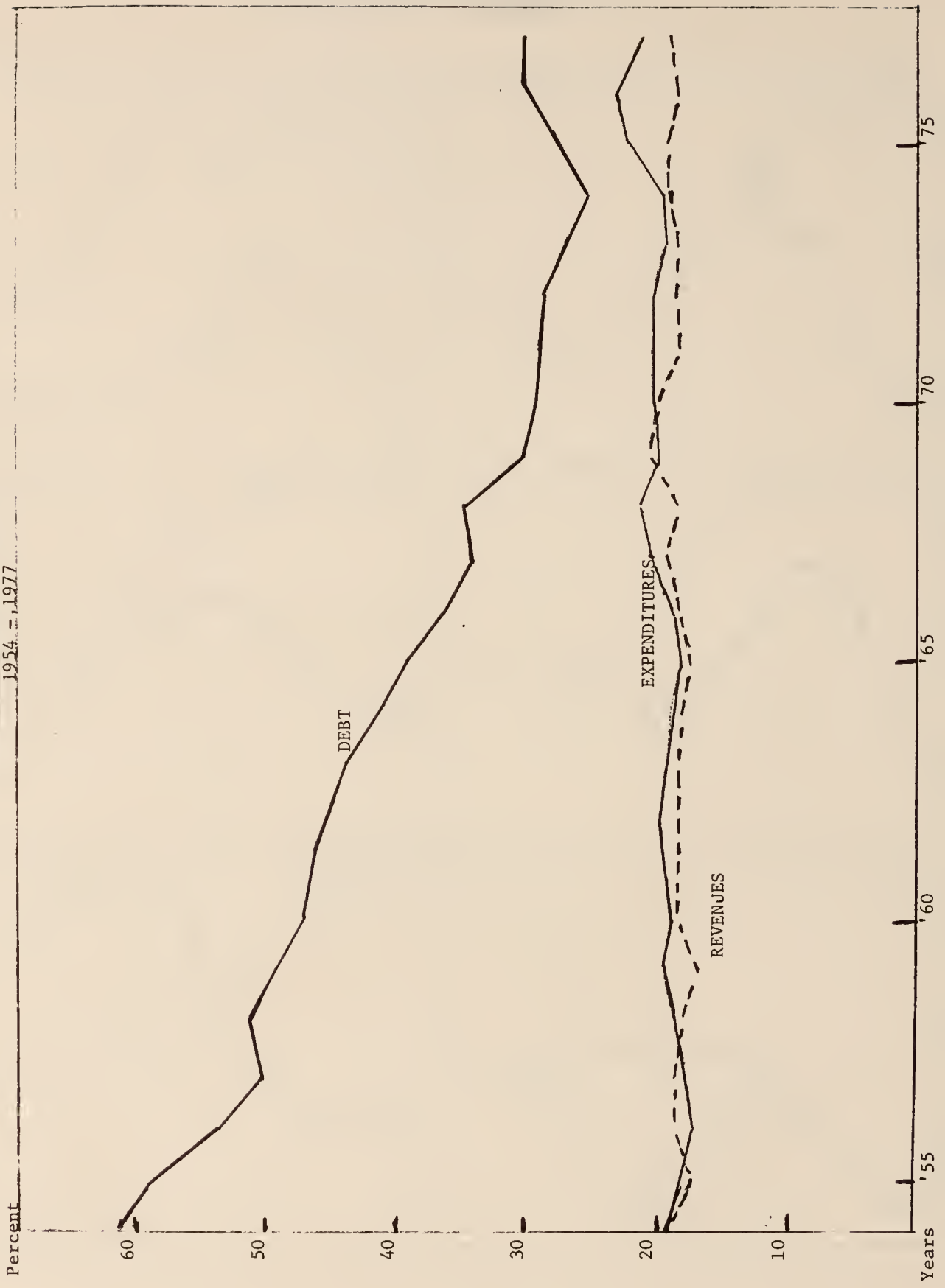
CUMULATIVE PERCENT CHANGE IN GNP
FROM PREVIOUS CYCLICAL PEAK

UNEMPLOYMENT RATES IN THE SIX POST WORLD WAR II RECESSIONS



DEBT, EXPENDITURES, AND REVENUES
AS A PERCENT OF GNP
1954 - 1977



Projections of Key Economic Indicators Based on President's Budget:	Calendar Year 1977 (In billions of dollars)
A. Official Projection	
Gross National Product	$ 1,332.0
Real Growth	5.7%
Unemployment Rate	6.9%
Consumer Price Index	6.0%
(Assumes a minimum of a 4-5% rise in new plant and equipment investment in 1976 with the projection based on higher expectations; and housing starts to reach annual rate of 1.75 million units by end of 1976; no estimate of interest rates)	
B. Data Resources	
Gross National Product	$ 1,303.4
Real Growth	4.2%
Unemployment Rate	7.1%
Consumer Price Index	5.5%
(Assumes 11.2% rise in plant and equipment investment between mid-76 and mid-71; housing starts to reach annual rate of 1.6 million units by end of 1976; and interest rates of 7% by end of 1977)	
C. Chase Econometrics	
Gross National Product	$ 1,324.3
Real Growth	4.9%
Unemployment Rate	7.4%
Consumer Price Index	7.4%
(Assumes 12.5% rise in plant and equipment from third quarter in '76 to the second quarter in '77; housing starts to reach 1.46 million units for the year; and interest rates of 8.5% by end of 1977)	
D. Wharton	
Gross National Product	$ 1,306.6
Real Growth	3.8%
Unemployment Rate	7.4%
Consumer Price Index	6.3%
(Assumes 7.4% rise in plant and equipment investment from mid'76 to mid'77; housing starts to reach 2 million units annually by early 1977; and short-term interest rates of 6.7% by end of 1977)	

Fiscal Policy Alternatives: *

	Calendar Year 1977 (In billions of dollars)
I. President's Proposal	
Expenditures of $394 billion, plus President's tax proposals	
Gross National Product (GNP)	$ 1,303.4
Unemployment Rate	7.3%
Consumer Price Index (CPI)	5.4%
II. Extension of Revenue Adjustment Act of 1975 plus	
A. Expenditures of $400 billion	
Gross National Product (GNP)	$ 1,301.1
Unemployment Rate	7.4%
Consumer Price Index (CPI)	5.4%
B. Expenditures of $410 billion	
Gross National Product (GNP)	$ 1,311.5
Unemployment Rate	7.0%
Consumer Price Index (CPI)	5.5%
C. Expenditures of $415 billion	
Gross National Product (GNP)	$ 1,330.7
Unemployment Rate	6.7%
Consumer Price Index (CPI)	5.5%
D. Expenditures of $425 billion	
Gross National Product (GNP)	$ 1,338.9
Unemployment Rate	6.6%
Consumer Price Index (CPI)	5.5%
III. Expenditures of $415 billion plus	
A. Expiration of 1975 Tax Cuts	
Gross National Product (GNP)	$ 1,311.0
Unemployment Rate	7.2%
Consumer Price Index (CPI)	5.6
B. President's Tax Proposals	
Gross National Product (GNP)	$ 1,331.9
Unemployment Rate	6.6%
Consumer Price Index (CPI)	5.5%

* Based on Data Resources, Inc. simulations.

	Calendar Year 1977 (In billions of dollars)
C. Simple Extension of 1975 Tax Cuts With No Increase in Social Security or Unemployment Tax Rates	
Gross National Product (GNP)	$ 1,330.7
Unemployment Rate	6.7%
Consumer Price Index (CPI)	5.5%
D. Extension of 1975 Tax Cuts With Social Security and Unemployment Tax Rate Increases Proposed by the President	
Gross National Product (GNP)	$ 1,325.0
Unemployment Rate	6.8%
Consumer Price Index (CPI)	5.5%

PART 3.

COMPARISON OF BUDGET AGGREGATES AND BUDGET AUTHORITY AND OUTLAYS BY FUNCTION

COMPARISON OF BUDGET AGGREGATES

(In billions of dollars)

	FY 1976 Second Budget Resolution	FY 1977 OMB Current Services Estimate	FY 1977 CBO Path B	FY 1977 President's Request	FY 1977 Committee Views & Estimates	FY 1977 Chairman's Recommendation
Revenues	300.8	372.6	360.0	351.3	356.0	363.0
Budget Authority	408.0	450.4	465.6	433.4	491.6	445.7
Outlays	374.9	414.5	424.9	394.2	442.0	412.8
Deficit	74.1	41.9	64.9	42.9	86.0	49.8
Public Debt	622.6	n.a.	n.a.	710.4	n.a.	n.a.

March 23, 1976

COMMITTEE ON THE BUDGET
U.S. HOUSE OF REPRESENTATIVES

COMPARISON OF BUDGET AUTHORITY
(In billions of dollars)

DATE: March 23, 1976

	FUNCTION	FY 1976 Second Budget Resolution	FY 1977 OMB Current Services Estimate	FY 1977 C30 Path B	FY 1977 President's Request	FY 1977 Committee Views & Estimates	FY 1977 Chairman's Recommendations
050	NATIONAL DEFENSE	101.0	114.2	110.0	114.9	118.9	107.7
150	INTERNATIONAL AFFAIRS	6.0	6.8	9.5	9.7	10.2	9.2
250	GENERAL SCIENCE, SPACE, AND TECHNOLOGY	4.7	4.5	5.2	4.6	4.6	4.6
300	NATURAL RESOURCES, ENVIRONMENT, AND ENERGY	18.7	8.7	9.3	9.7	19.3	14.8
350	AGRICULTURE	4.1	2.2	2.2	2.3	2.5	2.3
400	COMMERCE AND TRANSPORTATION	19.0	17.4	17.4	17.9	29.2	20.1
450	COMMUNITY AND REGIONAL DEVELOPMENT	9.5	5.1	6.9	5.8	8.4	6.5
500	EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES	21.3	18.6	21.8	15.9	30.0	24.1
550	HEALTH	33.6	37.7	39.3	38.0	40.7	39.3
600	INCOME SECURITY	137.5	176.5	181.5	157.7	160.5	157.2
700	VETERANS BENEFITS AND SERVICES	19.9	18.3	19.0	17.7	20.3	18.7
750	LAW ENFORCEMENT AND JUSTICE	3.3	3.2	3.6	3.3	3.6	3.4
800	GENERAL GOVERNMENT	3.3	3.4	3.6	3.5	3.8	3.6
850	REVENUE SHARING AND GENERAL PURPOSE FISCAL ASSISTANCE	7.3	7.3	7.4	7.3	8.0	7.3
900	INTEREST	35.4	41.9	42.2	41.3	44.3	42.0
	ALLOWANCES	.5	5.8	2.0	2.6	2.9	.8
950	UNDISTRIBUTED OFFSETTING RECEIPTS	-17.1	-21.2	-15.3	-18.8	-15.6	-15.9
	TOTAL	408.0	450.4	465.6	433.4	491.6	445.7

NOTE: Detail may not add to totals due to rounding.

COMMITTEE ON THE BUDGET
U.S. HOUSE OF REPRESENTATIVES

COMPARISON OF OUTLAYS
(In billions of dollars)

DATE: March 23, 1976

	FUNCTION	FY 1976 Second Budget Resolution	FY 1977 OMB Current Services Estimate	FY 1977 CBO Path B	FY 1977 President's Request	FY 1977 Committee Views & Estimates	FY 1977 Chairman's Recommendations
050	NATIONAL DEFENSE	91.9	103.1	103.4	101.1	102.9	99.6
150	INTERNATIONAL AFFAIRS	4.9	6.4	6.8	6.8	7.2	6.5
250	GENERAL SCIENCE, SPACE, AND TECHNOLOGY	4.6	4.6	5.0	4.5	4.5	4.5
300	NATURAL RESOURCES, ENVIRONMENT, AND ENERGY	11.4	14.1	14.2	13.8	16.6	15.7
350	AGRICULTURE	2.6	2.2	2.3	1.7	2.9	2.0
400	COMMERCE AND TRANSPORTATION	18.3	18.1	18.4	16.5	23.4	17.8
450	COMMUNITY AND REGIONAL DEVELOPMENT	7.0	6.2	7.6	5.5	7.0	6.2
500	EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES	20.9	18.4	21.4	16.6	27.6	22.8
550	HEALTH	32.9	37.7	37.7	34.4	39.3	38.2
600	INCOME SECURITY	128.2	146.1	145.6	137.1	144.1	140.1
700	VETERANS BENEFITS AND SERVICES	19.1	18.0	18.7	17.2	19.8	18.2
750	LAW ENFORCEMENT AND JUSTICE	3.4	3.3	3.7	3.4	3.7	3.5
800	GENERAL GOVERNMENT	3.3	3.5	3.6	3.4	3.7	3.5
850	REVENUE SHARING AND GENERAL PURPOSE FISCAL ASSISTANCE	7.3	7.3	7.4	7.4	8.0	7.4
900	INTEREST	35.4	41.9	42.2	41.3	44.3	42.0
	ALLOWANCES	.8	4.8	2.2	2.3	2.6	.8
950	UNDISTRIBUTED OFFSETTING RECEIPTS	-17.1	-21.2	-15.3	-18.8	-15.6	-15.9
	TOTAL	374.9	414.5	424.9	394.2	442.0	412.8

NOTE: Detail may not add to totals due to rounding.

PART 4.

CHAIRMAN'S RECOMMENDATION
FOR
FY 1977
FIRST CONCURRENT BUDGET RESOLUTION

94th Congress
2nd Session

Mr. Adams

CHAIRMAN'S RECOMMENDATION

FOR

FY 1977

FIRST CONCURRENT BUDGET RESOLUTION

Setting forth the congressional budget for the United States Government for the fiscal year 1977 (and revising the congressional budget for the transition quarter beginning July 1, 1976).

Resolved by the House Of Representatives (the Senate concurring),

That the Congress hereby determines and declares, pursuant to section 301 (a) of the Congressional Budget Act of 1974, that for the fiscal year beginning on October 1, 1976 --

(1) the recommended level of Federal revenues is $363,000 million, and the amount by which the aggregate level of Federal revenues should be decreased is $14,800 million; and

(2) the appropriate level of total new budget authority is $445,656 million;

(3) the appropriate level of total budget outlays is $412,801 million;

(4) the amount of the deficit in the budget which is appropriate in the light of economic conditions and all other relevant factors is $49,801 million;

(5) the appropriate level of the public debt is $ million, and the amount by which the temporary statutory limit on such debt should accordingly be increased is million.

Sec. 2. Based on allocations of the appropriate level of total budget outlays and of total new budget authority as set forth in paragraphs (1) and (2) of the first section of this resolution, the Congress hereby determines and declares pursuant to section 301(a)(2) of the Congressional Budget Act of 1974 that, for the fiscal year beginning on October 1, 1976, the estimated budget outlays and the appropriate level of new budget authority for each major functional category, for allowances, and for undistributed intragovernmental transactions are as follows:

(1) National defense (050):
(A) New budget authority, $107,700 million.
(B) Outlays, $99,600 million.

(2) International Affairs (150)
(A) New budget authority, $9,200 million.
(B) Outlays, $6,500 million

(3) General science, space, and technology (250):
(A) New budget authority, $4,600 million.
(B) Outlays, $4,500 million.

(4) Natural resources, environment, and energy (300):
(A) New budget authority, $14,800 million.
(B) Outlays, $15,703 million

(5) Agriculture (350):
(A) New budget authority, $2,262 million.
(B) Outlays, $2,029 million.

(6) Commerce and transportation (400):
(A) New budget authority, $20,100 million.
(B) Outlays, $17,800 million.

(7) Community and regional development (450):
(A) New budget authority, $6,500 million
(B) Outlays, $6,200 million

(8) Education, training, employment, and social services (500)
(A) New budget authority, $24,100 million.
(B) Outlays, $22,800 million.

(9) Health (550):
(A) New budget authority, $39,300 million
(B) Outlays, $38,200 million.

(10) Income security (600):
(A) New budget authority, $157,208 million.
(B) Outlays, $140,093 million.

(11) Veterans benefits and services (700):
(A) New budget authority, $18,649 million.
(B) Outlays, $18,165 million.

(12) Law enforcement and justice (750):
(A) New budget authority, $3,400 million.
(B) Outlays, $3,500 million.

(13) General government (800):
(A) New budget authority, $3,600 million.
(B) Outlays, $3,500 million.

(14) Revenue sharing and general purpose fiscal assistance (850):
(A) New budget authority, $7,347 million.
(B) Outlays, $7,351 million.

(15) Interest (900):
(A) New budget authority, $42,000 million.
(B) Outlays, 42,000 million.

(16) Allowances:
(A) New budget authority, $790 million.
(B) Outlays, $760 million.

(17) Undistributed offsetting receipts (950):
(A) New budget authority, $-15,900 million.
(B) Outlays, $-15,900 million.

Sec. 3. The Congress hereby determines and declares, in the manner provided in section 301(a) of the Congressional Budget Act of 1974, that for the transition quarter beginning on July 1, 1976--

(1) the recommended level of Federal revenues is $_____ million; and

(2) the appropriate level of total new budget authority is $_____ million;

(3) the appropriate level of total budget outlays is $_____ million;

(4) the amount of the deficit in the budget which is appropriate in the light of economic conditions and all other relevant factors is $_____;

(5) the appropriate level of the public debt is $_____ million, and the amount by which the temporary statutory limit on such debt should accordingly be increased is $_____ million.

PART 5.

REVENUES

REVENUES

CURRENT REVENUE ESTIMATES (In billions of dollars)

President's Budget	$ 351.3
Ways and Means Committee	356.0
Joint Economic Committee	352.0 to 357.0

Major Assumptions

extension

The President's Budget assumes/of the 1975 Tax Adjustment Act and additional tax cuts of corporate and individual income taxes of $11 billion, partially offset by a proposed $5.4 billion increase in social security and unemployment insurance payroll taxes.

The Ways and Means Committee assumes extension of the 1975 Tax Adjustment Act through calendar 1977; rejection of the proposed 0.6 percent increase in social security taxes; and an increase in the unemployment tax rate from 0.5 to 0.65 percent, increasing FY 1977 revenues by $0.5 billion.

The Joint Economic Committee recommends extension of the 1975 Tax Adjustment Act through calendar 1977; an additional tax cut of $10 to $16 billion depending on the pace of economic activity and the level of Federal spending; and rejection of both the social security and unemployment payroll tax rate increases.

THE PRESIDENT'S REVENUE PROPOSALS

The President's revenue estimate of $351.3 billion for FY 1977 includes a permanent net reduction of $22.8 billion from levels that the 1974 tax laws would have yielded. Thus, extension of the 1975 tax reductions is encompassed in his proposals. These include:

Individual Income Taxes	(In billions of dollars)
-- an increase in the personal exemption from $750 to $1,000 per person;	$ - 10.8
-- an increase and substitution of a flat standard deduction for the low-income allowance and percentage standard deduction;	- 3.9
-- a reduction in tax rates;	- 7.0
-- a tax deferral as an incentive for stock ownership;	- 0.3
-- other tax expenditures.1/	- 0.2
Total Individual	$ - 22.2

1/ A portion of the accelerated depreciation and mortgage credit provisions would accrue to individuals.

Corporate Profits Taxes

-- a reduction in the corporate tax rate from 48% to 46%;	$ - 2.0
-- extension of the provision lowering the tax rate on the first $50,000 of profits;	- 1.7
-- permanent extension of the investment tax credit at 10%;	- 1.2
-- tax reduction for electric utilities, including a 12% investment tax credit for facilities not fueled by oil, and several miscellaneous provisions;	- 0.8
-- a tax credit for interest income from mortgages and accelerated depreciation	- 0.5
Total Corporate	$ - 6.2

Social Security and Unemployment Insurance Taxes

-- an increase from 11.7 to 12.3 percent in the combined OASDHI tax rate;	$ + 3.3
-- an increase in the Federal unemployment tax rate from 0.5 to 0.65 percent and an increase in the wage base from $4,200 to $6,000.	+ 2.1
Total Payroll Taxes	$ + 5.4

Other

-- proposed decrease in estate and gift taxes partially offset by increased water-way and airport user charges.	$ + 0.1
Total Reduction	$ - 22.8

CHAIRMAN'S RECOMMENDATION

The Chairman recommends a revenue level in FY 1977 of $363 billion, which includes the following assumptions:

(1) a simple extension of the 1975 tax cuts now in effect through September 30, 1977;

(2) rejection of the additional $11.5 billion of individual and corporate tax cuts proposed by the President;

(3) rejection of the increase in social security tax rates proposed by the President;

(4) an increase of 0.15 percent in the unemployment tax rate, effective January 1, 1977, but no increase in the wage ceiling; and

(5) reduced tax expenditures of $2.0 billion, including the $1.2 billion estimated to be realized by the House-passed tax bill.

Chairman's Revenue Recommendation by Source

	(In billions of dollars)
Individual Income Taxes	$ 160.9
Corporate Income Taxes	57.9
Social Security Taxes	107.1
Excise Taxes	17.8
Estate and Gift Taxes	6.0
Custom Duties	4.3
Miscellaneous	7.0
Reduced Tax Expenditures	2.0
Total	$ 363.0

PART 6.

FUNCTIONAL CATEGORIES

050 NATIONAL DEFENSE

150 INTERNATIONAL AFFAIRS

250 GENERAL SCIENCE, SPACE, AND TECHNOLOGY

300 NATURAL RESOURCES, ENVIRONMENT, AND ENERGY

350 AGRICULTURE

400 COMMERCE AND TRANSPORTATION

450 COMMUNITY AND REGIONAL DEVELOPMENT

500 EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

550 HEALTH

600 INCOME SECURITY

700 VETERANS BENEFITS AND SERVICES

750 LAW ENFORCEMENT AND JUSTICE

800 GENERAL GOVERNMENT

850 REVENUE SHARING AND GENERAL PURPOSE FISCAL ASSISTANCE

900 INTEREST

ALLOWANCES

950 UNDISTRIBUTED OFFSETTING RECEIPTS

FUNCTION 050: NATIONAL DEFENSE

051: Department of Defense - Military
052: Military Assistance
053: Atomic Energy Defense Activities
054: Defense Related Activities

DESCRIPTION OF FUNCTION:

This function includes 25.6% of total outlays estimated in the President's budget for FY 1977; it included 31.8% in FY 1973. Funds are provided to develop, maintain and equip the military forces of the United States, to provide military assistance to friendly foreign governments, and to finance defense-related activities of the Energy Research and Development Administration. Receipts from the sale of excess strategic material are also included in this function. Major areas of funding are pay and benefits to active military and civilian personnel; contributions to civilian retirement, health, and life insurance funds; military retired pay; research, development, procurement, construction, and all related activities required to operate and procurement of nuclear weapons and naval reactors funded through ERDA. Of total outlays of $101.1 billion estimated in the President's FY 1977 budget, $26.2 billion results from budget authority approved in prior years and $74.9 billion results from budget authority requested in FY 1977.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Department of Defense - Military
Military Assistance
Foreign Military Sales, Trust Fund
Atomic Energy Defense Activities
Defense-Related Activities:
  Sale of Strategic and Critical Materials
  Selective Service
  Civil Defense
  Naval Petroleum Reserves

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Department of Defense
Energy Research and Development Administration (Nuclear Weapons and Naval Reactors)

Function 050: NATIONAL DEFENSE
(In billions of dollars)

CHAIRMAN'S RECOMMENDATION IN PERSPECTIVE

A. Comparative Analysis of Chairman's Recommendations	Budget Authority	Outlays
1975 Actual	91.9	86.6
1976:		
Second Budget Resolution	101.0	91.9
Current Level	100.6	92.2
1977:		
President's Request	114.9	101.1
CBO Path B	110.0	103.4
Committee Views & Estimates	118.9	102.9
Chairman's Recommendation	107.7	99.6

B. Chairman's Recommendation Over (+) Under (-)	Budget Authority	Outlays
1976 Second Budget Resolution	+6.7	+7.7
1977 President's Request	-7.2	-1.5
1977 CBO Path B	-2.3	-3.8
1977 Committee Views & Estimates	-11.2	-3.3

Function 050: NATIONAL DEFENSE
(In billions of dollars)

SUMMARY OF CHAIRMAN'S RECOMMENDATION

Numbers rounded for presentation	Budget Authority	Outlays
President's Request.....	114.9	101.1
DOD Revised Estimate for Foreign Military Sales.....	-1.6	...
President's Revised Estimate.....	113.3	101.1
(Ongoing Programs BA: 113.1; O: 100.9)		
(New Initiatives BA: .2; O: .2)		
Chairman's Recommendation:		
I. RESTIMATES:		
None		
II. FUNDING FOR ONGOING PROGRAMS:		
1. Financial adjustment to prior year unobligated and unexpended balances.....	-1.4	...
2. Equipment Modernization/Growth in Purchases.....	-4.2	-1.5
3. Pay Raise Rates.....	...	...
4. Miscellaneous Legislative Proposals.....	...	...
III. FUNDING FOR NEW INITIATIVES:		
None		
CHAIRMAN'S RECOMMENDATION.....	107.7	99.6
COMMITTEE RECOMMENDATION.....		

Function 050: NATIONAL DEFENSE
(In millions of dollars)

ISSUE 1. Financial Adjustments to Prior Year Unobligated and Unexpended Balances

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	-153	-1,553	-1,400		
Outlays.....	...	...	...		

PRESIDENT'S REQUEST.

The President's budget includes a transfer from prior year balances and shelf sales of $153 million. The following table indicates prior year experience in this area:

($ Millions)

FY 1973	FY 1974	FY 1975	FY 1976	FY 1977
1,455	466	365	441	153

HOUSE COMMITTEE VIEWS & ESTIMATES.

House committees did not comment on the President's estimate in this area. In the past, the Appropriations Committee has expressed interest in maintaining these balances as low as financially prudent.

CHAIRMAN'S RECOMMENDATION.

The Chairman recommends that $1.4 billion from the unexpended and unobligated balances be brought forward from prior year appropriations and used to finance current programs. There is no outlay impact in FY 1977. This recommendation is based on the following trends:

Department of Defense
Unexpended Balances ($ Billions)

	6/30/73	6/30/74	6/30/75	Est. 9/30/76	Est. 9/30/77
FMS and Military Assistance	8.5	15.2	19.7	22.0	24.3
DOD Military Functions	39.6	43.7	44.0	48.8	59.9
Total	48.1	58.9	63.7	70.8	84.2
Unobligated Balances Included Above					
FMS and Military Assistance	1.3	5.6	7.0	7.5	6.3
DOD Military Functions	12.7	15.1	16.7	12.3	14.8
Total	14.0	20.7	23.7	19.8	21.1

Function 050: NATIONAL DEFENSE
(In millions of dollars)

ISSUE 2. Equipment Modernization/Growth in Purchases

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	$61,793	$57,618	-4,175		
Outlays.....	49,445	47,930	-1,529		

PRESIDENT'S REQUEST.

The President has requested an increase of $11.9 billion (23.2%) above the approved FY 1976 level. $3.6 billion (7.2%) of this is to cover anticipated inflation and $8.4 billion (16%) is to provide a real increase in programs.

HOUSE COMMITTEE VIEWS & ESTIMATES.

The Armed Services Committee recommended a reduction in program growth in Research, Development, Test and Evaluation, Military Construction, Navy weapon procurement, Air Force other procurement and stock fund levels totaling $826 million in budget authority. The Committee recommended an increase in program growth in Navy aircraft procurement and depot maintenance programs totaling $561 million in budget authority. The Committee also recommended changing the composition and quantities of ships from the President's request resulting in an increase of $2.3 billion partially offset by financial adjustments of $1.2 billion for a net increase of $1.1 billion. Two legislative initiatives increasing real program growth by $79.4 million in budget authority for helicopter training contingency funds and a RDT&E Emergency Fund were also proposed.

The Appropriations Committee recommended certain increases in real program growth for strategic programs totaling approximately $600 million. Reduction in program growth in the areas of procurement for communication and electronics equipment and Air Force aircraft procurement. Also financial adjustments in the shipbuilding programs of $800 million are suggested. This results in a net reduction of $930 million in budget authority from the President's budget.

CHAIRMAN'S RECOMMENDATION.

The Chairman recommends a level of $57.6 billion for defense purchases from industry. This provides an increase of $7.8 billion (15.2%) above the FY 1976 levels. The increase includes the full amount of anticipated inflation requested by the DOD, $3.6 billion (7.2%) plus a real program increase of $4.2 billion (8%).

Function 050: NATIONAL DEFENSE
(In millions of dollars)

ISSUE 3. Pay Raise Rates

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
050: NATIONAL DEFENSE					
Budget Authority...	1,398	1,398	...		
Outlays.....	1,391	1,391	...		
ALLOWANCES					
Budget Authority...	790	790	...		
Outlays.....	760	760	...		
TOTAL:					
Budget Authority...	2,188	2,188	...		
Outlays.....	2,151	2,151	...		

PRESIDENT'S REQUEST.

The President's Budget includes a pay restraint package which includes both administrative and legislative proposals. These proposals affect general schedule, active military, wage board employees and federal retirees.

Administration Proposal:

- Include secretaries, computer operators in survey
- Weigh pay rates by Employment Distribution
- Start Fair Market Rental Plan for military housing
- Assume President will submit alternative plan of 3% increases - average 4.7%

Legislative Proposals to Reform Wage Board Rates

Administration Proposal:

- Remove Monroney Amendment
- Uniform night shift differential
- Match average Federal Pay to average non-Federal pay
- Provice minimum 3% raise
- Assume average pay raise will be 3.4%

Impact of Rejecting President's Pay Proposals
($ Millions)

Military and General Schedules		FY 1977	(FY 77-81) Five-Year Total
	DOD	$503	$652
	Non-DOD	246	246
	Total	749	898
Pay Rate Increases			
President		4.7%	
Alternative		6.3%	
Wage Board			
	DOD	$241	$4,806
	Non-DOD	60	1,104
	Total	301	5,910
Pay Rate Increases			
President		3.4%	
Alternative		9.5%	
Retired Pay 1% Kicker			
	DOD	$112	$1,695
	Non-DOD	70	1,870
	Total	182	3,565
Total			
	DOD	$856	$7,153
	Non-DOD	376	3,220
	Total	1,232	10,373

HOUSE COMMITTEE VIEWS & ESTIMATES.

Appropriations:

Does not specifically address any change to the Administration proposals.

Armed Services:

Concurs in the Administration request to constrain active-duty pay and eliminate the 1% "kicker" on retired-pay increases. This concurrence is contingent on identical restrictions being applied to the entitlements of active and retired civilian personnel. Also, at this time the Committee does not support the Fair Market rental plan.

Post Office and Civil Service:

The Committee agrees with the administrative changes, but rejects all the proposed legislative changes for pay reform. It recommends elimination of the "1% kicker" but proposes to replace it with a procedure which will increase outlays in FY 1977, but save money in the long run.

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Function 050: NATIONAL DEFENSE
ISSUE 3. Pay Raise Rates

CHAIRMAN'S RECOMMENDATION.

The Chairman recommends acceptance of the Administration's proposals on pay reform including elimination of the "1% kicker" for retired personnel on the basis that changes in the current legislation are required to correct inequities.

Function 050: NATIONAL DEFENSE
(In millions of dollars)

ISSUE 4. Miscellaneous Legislative Proposals

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	-27	-27	0		
Outlays.....	-27	-27	0		

PRESIDENT'S REQUEST.

The President has requested several legislative items for the active and reserve military personnel appropriation which reflect a net change to the FY 1977 request of a minus $27 million in budget authority and outlays.

HOUSE COMMITTEE VIEWS & ESTIMATES.

The legislative proposals are:

Decreases	Proposal BA	Proposal O	Armed Services	Approp.	Post Office and Civil Service
. National Guard and Reserve Training Assemblies	-13	-13	R	R	NC
. Administrative Duty Pay	-2	-2	R	R	NC
. Dual Compensation of Federal Employees	-45	-45	R	NC	R
. Cadet and Midshipmen Pay	-2	-2	A	NC	NC
. Commissary Surcharge	-128	-128	R	R	NC
Total Decreases	-190	-190			
Increases					
. Retirement Modernization Act	+40	+40	A	NC	NC
. Trailer Allowance	+11	+11	A	NC	NC
. Nuclear Qualified Officers	+5	+5	A	NC	NC
. Military Per Diem	+107	+107	A	NC	NC
Total Increases	+163	+163			
Net Savings Proposed	-27	-27			

R - Reject President's Proposal
A - Accept President's Proposal
NC - No Comment

CHAIRMAN'S RECOMMENDATION.

In total, these legislative proposals, most of which are very controversial, have a net impact on the FY 1977 National Defense budget of minus $27 million in budget authority and outlays. The Chairman's recommendation does not recommend specific actions on these items.

Impact of Rejecting President's Pay Proposals
($ Millions)

		FY 1977	(FY 77-81) Five-Year Total
Military and General Schedules			
	DOD	$503	$652
	Non-DOD	246	246
	Total	749	898
Pay Rate Increases			
President		4.7%	
Alternative		6.3%	
Wage Board			
	DOD	$241	$4,806
	Non-DOD	60	1,104
	Total	301	5,910
Pay Rate Increases			
President		3.4%	
Alternative		9.5%	
Retired Pay 1% Kicker			
	DOD	$112	$1,695
	Non-DOD	70	1,870
	Total	182	3,565
Total			
	DOD	$856	$7,153
	Non-DOD	376	3,220
	Total	1,232	10,373

HOUSE COMMITTEE VIEWS & ESTIMATES.

Appropriations:

Does not specifically address any change to the Administration proposals.

Armed Services:

Concurs in the Administration request to constrain active-duty pay and eliminate the 1% "kicker" on retired-pay increases. This concurrence is contingent on identical restrictions being applied to the entitlements of active and retired civilian personnel. Also, at this time the Committee does not support the Fair Market rental plan.

Post Office and Civil Service:

The Committee agrees with the administrative changes, but rejects all the proposed legislative changes for pay reform. It recommends elimination of the "1% kicker" but proposes to replace it with a procedure which will increase outlays in FY 1977, but save money in the long run.

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FUNCTION 150: INTERNATIONAL AFFAIRS

151: Foreign Economic and Financial Assistance
152: Conduct of Foreign Affairs
153: Foreign Information and Exchange Activities
155: International Financial Programs

DESCRIPTION OF FUNCTION:

This function includes less than 2% of the total outlays estimated in the President's FY 1977 budget. This function's share of total Federal outlays has been about level for the five-year period up to FY 1977. Programs in this function finance the foreign affairs establishment, including embassies and other diplomatic missions abroad; sale of U.S. commodities under the Food for Peace programs; foreign aid loan and technical assistance activities in the less developed countries; security supporting assistance, primarily to Israel and Egypt; and Export-Import Bank activities. Virtually all of this function, with the exception of the Export-Import Bank, requires current action by the Congress.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Foreign Affairs
Foreign Aid
Food for Peace
Export Promotion

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Department of State
United States Information Agency
Agency for International Development
Department of Agriculture
Export-Import Bank

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Function 150: INTERNATIONAL AFFAIRS
(In billions of dollars)

CHAIRMAN'S RECOMMENDATION IN PERSPECTIVE

A. Comparative Analysis of Chairman's Recommendations	Budget Authority	Outlays
1975 Actual	4.4	4.4
1976:		
Second Budget Resolution	6.0	4.9
Current Level	4.1	4.5
1977:		
President's Request	9.7	6.8
CBO Path B	9.5	6.8
Committee Views & Estimates	10.2	7.2
Chairman's Recommendation	9.2	6.5

B. Chairman's Recommendation Over (+) Under (-)	Budget Authority	Outlays
1976 Second Budget Resolution	+3.2	+1.6
1977 President's Request	-.5	-.3
1977 CBO Path B	-.3	-.3
1977 Committee Views & Estimates	-1.0	-.7

Function 150: International Affairs
(In billions of dollars)

SUMMARY OF CHAIRMAN'S RECOMMENDATION

Numbers rounded for presentation	Budget Authority	Outlays
President's Request.....	9.7	6.8
(Ongoing Programs BA: 9.7 ; O: 6.8)		
(New Initiatives BA: ... ; O: ...)		
Chairman's Recommendation:		
I. REESTIMATES:		
1. Reestimate of Export-Import Bank	-.1	-.1
II. FUNDING FOR ONGOING PROGRAMS:		
2. Funding level for foreign aid programs	-.4	-.2
III. FUNDING FOR NEW INITIATIVES:		
No change is recommended in the President's request for $42 million in budget authority for a replenishment for the International Development Corporation.	...	...
CHAIRMAN'S RECOMMENDATION.....	9.2	6.5
COMMITTEE RECOMMENDATION.....		

Function 150: International Affairs
(In millions of dollars)

ISSUE 1. Reestimate of Export-Import Bank

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	3,348	3,248	-100		
Outlays.....	1,306	1,206	-100		

PRESIDENT'S REQUEST.

The President's estimate of budget authority and outlays for the Bank is based on the estimated level of program activities as offset by loan repayments and other fees collected.

HOUSE COMMITTEE VIEWS & ESTIMATES.

The Banking and Currency Committee did not recommend any change to the estimates for Export-Import Bank.

CHAIRMAN'S RECOMMENDATION.

As shown below actual budget authority and outlay levels of the Export-Import Bank usually fall significantly below the original estimates.

($ Billions)

	1973		1974		1975		1976		1977	
	BA	O	BA	O	BA	O	BA	O	BA	O
Estimate	1.8	1.0	3.3	1.5	3.0	1.3	2.9	1.8	3.3	1.3
Actual	2.3	.5	2.1	1.2	1.4	1.5	2.6*	1.4*		

* President's estimate in FY 1977 budget submission.

The only instance where outlays exceed the original estimate was in FY 1975. This occurred because of an unusually high and unanticipated drawdown of undisbursed balances.

Based on this history it appears reasonable to assume that the estimate for FY 1977 may be adjusted by -$100 million in budget authority and -$100 million in outlays from the estimates in the President's budget.

This reestimate has no effect on the ultimate program activity level of the bank. That is controlled only by the Limitation on Program Activity as authorized in the foreign assistance appropriations bill.

Function 150: International Affairs
(In millions of dollars)

ISSUE 2. Funding Level for Foreign Aid Programs

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	5,338	4,972	-366		
Outlays.....	4,583	4,359	-224		

PRESIDENT'S REQUEST.

The President's request for these programs, which include Food for Peace, Security Supporting Assistance, Middle East Special Requirements Funds, International Financial Institutions, Voluntary Contributions to International Organizations, and Bi-lateral assistance programs, would provide for a continued growth in funding for foreign aid.

HOUSE COMMITTEE VIEWS & ESTIMATES.

The Committee on International Relations recommends increases over the amount requested by the President for these programs. It supports the funding levels already authorized for these programs by the Congress or the Committee. Funding at the level recommended by International Relations would require an increase of $.5 billion in budget authority and $.4 billion in outlays.

The Agriculture Committee recommends that the Food for Peace estimates be increased to reflect higher commodity prices than those projected in the President's budget. (This concern about commodity price estimates was also included in the International Relations report.) Banking and Currency did not recommend any changes in the President's budget.

The Appropriations Committee noted that, historically, Congress has made large cuts from the President's requests, but suggested that it may not be accurate to assume that this level of reductions will continue. It pointed out that if the Congress continues to support the Administration's Middle-East proposals and development assistance initiatives it help to establish, the amount of future reductions would probably decline.

CHAIRMAN'S RECOMMENDATION.

The Chairman's recommendation provides for foreign aid functional development programs and Middle East security assistance at essentially the FY 1976 level, and includes the President's estimate for Food for Peace.

FUNCTION 250: GENERAL SCIENCE, SPACE AND TECHNOLOGY

251: General science and basic research
253: Manned space flight
254: Space science, applications and technology
255: Supporting space activities

DESCRIPTION OF FUNCTION:

This function includes 1.1% ($4.5 billion) of the total outlays estimated in the President's budget for FY 1977. Real program levels have declined almost annually since the mid-1960's. This function includes space research and technology, general science, and basic research not specifically covered by other functional areas. The budgets for the National Science Foundation (NSF), certain research programs of the Energy Research and Development Administration (ERDA), a small Smithsonian Institution program, and the National Aeronautics and Space Administration (NASA) (except for aeronautical programs) are within this category.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

General science and basic research not primarily associated with other functions
Research and technology applications programs in space

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

ERDA
National Science Foundation
National Aeronautics and Space Administration

Function 250: GENERAL SCIENCE, SPACE, AND TECHNOLOGY
(In billions of dollars)

CHAIRMAN'S RECOMMENDATION IN PERSPECTIVE

A. Comparative Analysis of Chairman's Recommendations	Budget Authority	Outlays
1975 Actual	4.0	4.0
1976:		
Second Budget Resolution	4.7	4.6
Current Level	4.7	4.6
1977:		
President's Request	4.6	4.5
CBO Path B	5.2	5.0
Committee Views & Estimates	4.6	4.5
Chairman's Recommendation	4.6	4.5

B. Chairman's Recommendation Over (+) Under (-)	Budget Authority	Outlays
1976 Second Budget Resolution	-.1	-.1
1977 President's Request	*	*
1977 CBO Path B	-.6	-.5
1977 Committee Views & Estimates	---	---

* Less than $50 million.

Function 250: GENERAL SCIENCE, SPACE AND TECHNOLOGY
(In billions of dollars)

SUMMARY OF CHAIRMAN'S RECOMMENDATION

Numbers rounded for presentation	Budget Authority	Outlays
President's Request.....	4.6	4.5
(Ongoing Programs BA: 4.6 ; O: 4.5)		
(New Initiatives BA: -0- ; O: -0-)		
Chairman's Recommendation:		
I. REESTIMATES:		
None.		
II. FUNDING FOR ONGOING PROGRAMS:		
1. Restraint in budget authority growth for the general science and basic research subfunction...	-*	-*
III. FUNDING FOR NEW INITIATIVES:		
None.		
* Less than $50 million.		
CHAIRMAN'S RECOMMENDATION.....	4.6	4.5
COMMITTEE RECOMMENDATION.....		

Function 250: GENERAL SCIENCE, SPACE AND TECHNOLOGY
(In millions of dollars)

ISSUE 1. Restraint in budget authority growth for the general science and basic research subfunction

FY 1977	President's Request Function 250 Tot.	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	4,618	4,600	-18		
Outlays.....	4,507	4,500	-7		

PRESIDENT'S REQUEST

The aggregate budget authority and outlay increases over FY 1976 for this function requested by the President are 5.6% and 4.5%, respectively. A decline in real program level and a reduction in employment (10,000 jobs, mainly in private industry, from NASA programs) will result since the increase is less than the inflation rate. Significant cuts below planned program levels are proposed in space science, applications and technology, and in the space shuttle program. However, some program growth has been requested for the general science and basic research subfunction with proposed budget authority increases of $57 million for ERDA and $87 million for NSF. Net outlay increase for the subfunction would be only $46 million.

HOUSE COMMITTEE VIEWS & ESTIMATES

The authorizing and appropriations committee reports indicate general agreement with the President's recommendations. The Joint Committee on Atomic Energy and the House Science and Technology Committee recommend a net addition of $32 million in budget authority ($27 million in outlays) for further increases in ERDA research. The Appropriations Committee report indicates that the President's recommended funding level for NASA is essential for carrying through on the space shuttle commitment, and suggests that the Committee may favor some shifting of priorities within the function for more NASA work on energy research and applications satellites.

CHAIRMAN'S RECOMMENDATION

The Chairman's recommendation of $4,600 million in budget authority and $4,500 million in outlays assumes that the ERDA research program increases recommended in the committee views and estimates can be accommodated through the anticipated shifting of priorities within the function.

FUNCTION 300: NATURAL RESOURCES, ENVIRONMENT, AND ENERGY

301: Water resources and power
302: Conservation and land management
303: Recreational resources
304: Pollution control and abatement
305: Energy
306: Other natural resources

DESCRIPTION OF FUNCTION:

This function includes 3.5% of the total outlays estimated in the President's budget for FY 1977. Programs in this function are primarily designed to develop, manage, and maintain the Nation's natural resources and environment and to promote conservation and development of energy resources. Over the last five years, outlays in this function have risen by 134%, reflecting substantial increases in spending for activities related to the national goal of increasing energy security.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Natural resources development and conservation
Purchase, development, and operation of National Parks
National environmental program
Development regulation and conservation of energy and minerals
Offshore leasing

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Department of the Interior
Department of Agriculture
Department of Commerce
Corps of Engineers
Environmental Protection Agency
Federal Energy Administration
Energy Research and Development Administration

Function 300: NATURAL RESOURCES, ENVIRONMENT, AND ENERGY
(In billions of dollars)

CHAIRMAN'S RECOMMENDATION IN PERSPECTIVE

A. Comparative Analysis of Chairman's Recommendations	Budget Authority	Outlays
1975 Actual	16.5	9.5
1976:		
Second Budget Resolution	18.7	11.4
Current Level	17.9	11.0
1977:		
President's Request	9.7	13.8
CBO Path B	9.3	14.2
Committee Views & Estimates	19.3	16.6
Chairman's Recommendation	14.8	15.7

B. Chairman's Recommendation Over (+) Under (-)	Budget Authority	Outlays
1976 Second Budget Resolution	-3.9	-4.3
1977 President's Request	+5.1	+1.9
1977 CBO Path B	+5.5	+1.5
1977 Committee Views & Estimates	-4.5	-.9

Function 300: NATURAL RESOURCES, ENVIRONMENT, AND ENERGY
(In billions of dollars)

SUMMARY OF CHAIRMAN'S RECOMMENDATION

Numbers rounded for presentation	Budget Authority	Outlays
President's Request.....	9.7	13.8
(Ongoing Programs BA: 9.9 ; O: 14.1)		
(New Initiatives BA: -0.2 ; O: -0.3)		
Chairman's Recommendation:		
I. REESTIMATES:		
None		
II. FUNDING FOR ONGOING PROGRAMS:		
1. Water Resources.....	+.4	+.3
2. Land Conservation and Forestry.....	+.3	+.3
3. EPA Construction Grant Program.....	+1.5	+.1
4. Other Pollution Control & Abatement.....	+.1	+.1
5. Energy R&D.....	+.3	+.2
III. FUNDING FOR NEW INITIATIVES:		
6. Energy Independence Authority.....	...	...
7. Energy Policy and Conservation Act.....	+1.1	+.5
8. Uranium Enrichment Expansion.....	+.2	+.1
9. Synthetic Fuels.....	+.5	*
10. Initiatives Related to the Coastal Zone and the OCS.....	+.3	+.1
11. Other New and Ongoing Natural Resource Programs.....	+.4	+.2
IV. TAX EXPENDITURES:		
12. Tax Relief for Electric Utilities (see description of issue in the Revenue section).....	(-.8)	(-.8)
CHAIRMAN'S RECOMMENDATION.....	14.8	15.7
COMMITTEE RECOMMENDATION.....		

* less than $50 million

Function 300: NATURAL RESOURCES, ENVIRONMENT, AND ENERGY
(In millions of dollars)

ISSUE 1. Funding for Water Resources and Power Programs

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	2,200	2,600	+400		
Outlays.....	2,189	2,489	+300		

PRESIDENT'S REQUEST

The President has requested funding for these programs slightly above the FY 1976 level. The increase in budget authority of about 2.4 percent is requested to provide follow-on funding for construction starts added by the Congress to the FY 1976 budget request. Otherwise, the President's budget request for FY 1977 is constrained by slowing down the rates of progress on some ongoing projects, by proposing no new construction starts in FY 1977, and by providing small increases for the operation and maintenance of these projects.

HOUSE COMMITTEE VIEWS AND ESTIMATES

The Committee on Public Works and Transportation and the Committee on Appropriations recommend significant increases above the President's budget on the premise that the levels requested by the President would weaken the traditional Federal role in this critical area. The Public Works Committee recommends increases of $479 in budget authority and $338 in outlays, while the Appropriations Committee recommends increases of $515 and $400, respectively. The Committee on Public Works also states that the low recommended funding levels will result in longer construction periods and hence higher costs for the projects. In addition, the Committee believes that increased funding would have an immediate impact in creating and sustaining employment since many projects are already underway.

CHAIRMAN'S RECOMMENDATION

The Chairman recommends that part of the increases proposed by the Committee on Public Works and Transportation and Committee on Appropriations be accepted, specifically $400 in budget authority and $300 in outlays. The increases should allow for a continuation of effort for ongoing projects, particularly those most likely to have an immediate impact on stimulating employment. The Chairman also notes that the high inflation rates for the materials and labor associated with these activities - now running about 15% a year--makes it imperative that cost escalation in this sector be brought under control if these programs are to continue to grow in real terms or to even stay at their present levels.

Function 300: NATURAL RESOURCES, ENVIRONMENT, AND ENERGY
(In millions of dollars)

ISSUE 2. Land Conservation and Forestry

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	614.8	914.8	+300		
Outlays.....	661.0	961.0	+300		

PRESIDENT'S REQUEST:

The President's budget projects phasing out the Water Bank Program, Youth Conservation Corps, and the Forestry Incentives Program; reduced funding for the Agriculture Conservation Program and Great Plains Conservation Program; no funding for forest fire protection; and continuation of the Resource Conservation and Development Program at prior levels.

HOUSE COMMITTEE VIEWS & ESTIMATES:

The House Agriculture Committee recommends increasing these programs by $284 million in budget authority and $299 million in outlays. These increases would lead to funding at prior levels for most programs and add the average forest fire fighting costs of recent years normally requested in supplemental appropriations. A few programs would not be completely restored to FY 1976 levels.

The House Appropriations Committee recommends an increase of $285 million in budget authority and $80 million in outlays for a contingency in this area of the budget. It recommends additional amounts for fighting fires at the average prior year levels, presumably $115 million in budget authority and outlays. The Appropriations Committee total is approximately $400 million in budget authority and $195 million in outlays.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends adding $300 million for both budget authority and outlays for these programs. These programs generate considerable support and have a long history of Congressional restoration of executive attempts to reduce their funding. These increases do not fully restore funding to prior levels but allow maintenance of essential program activities.

Function 300: NATURAL RESOURCES, ENVIRONMENT AND ENERGY
(In millions of dollars)

ISSUE 3. EPA Construction Grant Program

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	...	1,500	+1,500		
Outlays.....	3,770	3,870	+100		

PRESIDENT'S REQUEST:

The President's budget does not request any new budget authority for FY 1977 for this program. This is the program created by the 1972 Federal Water Pollution Control Act which received $18 billion of contract authority at that time.

HOUSE COMMITTEE VIEWS & ESTIMATES:

The Public Works Committee estimates that unobligated balances at the beginning of FY 1977, a little over $6 billion, would leave 22 states without any new funds to obligate during FY 1977. This was the purpose for adding $1.4 billion of authorization to H.R. 5247 which was vetoed in February. The Committee now requests this additional funding for FY 1977. It estimates that much more money will be needed in future years. For example, EPA estimates that a six year, $42 billion program would be needed to fulfill the objectives of the Federal Water Pollution Control Act. The Committee also recommends authorizing $1,050 million for reimbursing localities for plants built since 1966. The Appropriations Committee report does not address this program issue.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends adoption of the Public Works Committee recommendation of $1.5 billion of budget authority for the section 207 construction grant program for FY 1977, recognizing that there is now underway a major study to determine future program needs.

The Chairman also recommends that in future years funding arrangements be made flexible enough to enable some rearrangement among states of unobligated balances in this program. This should be done so that the situation which will occur sometime in FY 1977--when 22 states will exhaust their program funds while large unobligated balances are still available for the overall program--will be alleviated in future years. The Chairman notes that this is a general budget problem which needs closer Congressional scrutiny.

Function 300: NATURAL RESOURCES, ENVIRONMENT, AND ENERGY
(In millions of dollars)

ISSUE 4. Other Pollution Control and Abatement Programs

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	631	731	+100		
Outlays.....	618	718	+100		

PRESIDENT'S REQUEST:

The President's budget requests funding for programs at $54 million below the FY 1976 level.

HOUSE COMMITTEE VIEWS & ESTIMATES:

The Appropriations Committee identifies the following contingency: the President's budget reduces by $38 million funds for areawide water quality management planning agencies, funded under section 208 of the Federal Water Pollution Control Act. However, $20 to $60 million in additional outlays may need to be reflected for this program if litigation to make EPA release $137 million of "impounded" funds is successful.

The Public Works Committee has identified large contingencies for increasing enforcement, planning, and other funds. Similarly, the Commerce Committee has identified contingencies associated with the Clean Air and the Toxic Substances Acts. Finally, the Science and Technology Committee has recommended a moderate increase in EPA's general R&D programs.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends that increases for contingencies of $100 million in budget authority and $100 million in outlays be provided for these programs.

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Function 300: NATURAL RESOURCES, ENVIRONMENT, AND ENERGY
(In millions of dollars)

ISSUE 5. Energy R&D

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	2,865	3,165	+300		
Outlays.....	2,413	2,613	+200		

PRESIDENT'S REQUEST

The President's budget requests $2,865 million in budget authority and $2,413 million in outlays for FY 1977. The outlay increase represents a 30% increase over FY 1976 levels.

HOUSE COMMITTEE VIEWS & ESTIMATES:

The Science and Technology Committee recommends increases of +$600 million in budget authority and +$400 million in outlays for non-nuclear activities. The Joint Committee on Atomic Energy recommends $100 million increases in both budget authority and outlays for nuclear programs. The Appropriations Committee is not specific on the total increase, but mentions increases of $100 million in budget authority and outlays for the non-nuclear and non-fossil fuel programs -- for example, the solar and conservation programs.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends that the increases be held to $300 million in budget authority and $200 million in outlays for FY 1977. The Chairman recognizes the importance of increasing the funding for general energy R&D programs, but wishes to emphasize the need for designing an overall program which is well balanced with respect to the various categories of energy R&D.

Function 300: NATURAL RESOURCES, ENVIRONMENT AND ENERGY
(In millions of dollars)

ISSUE 6. Energy Independence Authority

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	42	...	-42		
Outlays.....	42	...	-42		

PRESIDENT'S REQUEST:

To help finance various energy projects, the President's budget reaffirms support for the establishment of an Energy Independence Authority (EIA) proposal which was sent to Congress last October, H.R. 10267. The EIA would have the authority to enter into $100 billion of financial commitments, in the form of loans, loan guarantees, equity acquisition, purchase contracts, and so forth, within a seven-year period.

The principal project areas would include: synthetic fuels, nuclear and coal electric power plants, nuclear technology projects, one of the Alaska gas pipeline proposals, and others. Because the authority is described as a self-liquidating government corporation, its estimated outlays of $650 million for FY 1977 are off-budget, as well as the total $100 billion of commitments. The EIA would receive $25 billion from the Treasury in exchange for stock in EIA and be given the power to borrow the remaining $75 billion in the money markets with "full faith and credit" backing, or to guarantee loans for part of this amount. The only amounts reflected on-budget are net gains or losses. In the case of FY 1977, net losses are estimated at $42 million.

HOUSE COMMITTEE VIEWS & ESTIMATES:

No committee recommends that the EIA proposal be enacted. The Banking Committee, though, expresses interest in a financing program for energy conservation investments.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends no funding, either on or off-budget, for the EIA.

Function 300: NATURAL RESOURCES, ENVIRONMENT, AND ENERGY
(In millions of dollars)

ISSUE 7. Energy Policy and Conservation Act

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	...	1,100	+1,100		
Outlays.....	...	500	+500		

PRESIDENT'S REQUEST:

The Energy Act was signed into law on December 22, 1975. The Administration has yet to submit a budget amendment for funding its implementation. The Act contains the following provisions:

- oil price controls
- authorities for dealing with fuel emergencies (rationing, etc.)
- funding of State plans for dealing with emergencies
- guidelines for automotive fuel economy
- consumer product labeling
- industry and Federal energy conservation programs
- GAO audits of oil companies
- establishment of a strategic oil reserve

There are sections that may impact heavily on FY 1977. For example, the Act calls for the establishment of a strategic oil reserve of 600 million barrels within 7 years. The cost of this reserve may run up to $10 billion over the seven years.

The FY 1977 budget has no specific funding provision for implementing this Act in function 300. However, the budget states (p. 88) that "the allowance for contingencies for fiscal years 1976 and 1977 covers amounts that may be necessary for programs authorized by this Act."

HOUSE COMMITTEE VIEWS AND ESTIMATES:

The Interstate and Foreign Commerce Committee recommends $1.4 billion in budget authority to fund this Act. The Appropriations Committee identifies a $1.1 billion contingency item specifically for implementing this Act.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends $1.1 billion in budget authority and $500 million in outlays for implementation of the Energy Act. Outlays are estimated by staff on the basis of informal communications with Executive branch personnel.

Function 300: NATURAL RESOURCES, ENVIRONMENT, AND ENERGY
(In millions of dollars)

ISSUE 8. Expansion of Uranium Enrichment Plant Capacity

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	...	237	+237		
Outlays.....	...	100	+100		

PRESIDENT'S REQUEST:

The Administration believes that the U.S. capacity for enriching uranium will be fully committed by 1983-84, and that, because of the long lead times involved, it is now necessary to build a new plant. In order to this, the Administration has proposed its Nuclear Fuel Assurance Act to help create a private uranium enrichment industry in the U.S.

Under the Act, the government will provide its technology under a royalty type agreement, with $8 billion in contract authority to enable the ERDA administrator to enter into contracts with private participants. The Administration proposes that the full $8 billion is a "contingent liability" and thus does not request any budget authority or outlays for this program. The $8 billion in contract authority requested in the Act provides enough latitude so that one more gaseous diffusion process plant and possibly four centrifuge process plants to enrich uranium could be undertaken.

HOUSE COMMITTEE VIEWS & ESTIMATES:

Both the Joint Committee on Atomic Energy and the Appropriations Committee recommend that the government proceed to build the next gaseous diffusion plant, rather than making the decision to now spin the plant off to the private sector. They recommend budget authority of $237 million and outlays of $100 million in FY 1977.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends adoption of these Committee views and estimates. In doing so, it should be pointed out that the Administration, the Joint Committee on Atomic Energy, and the Appropriations Committee all recommend that the next uranium enrichment plant be built; the only disagreement involves whether the government should do it.

The Chairman supports the Appropriation Committee's plan to consider placing a limitation on the amounts that ERDA may use from the proceeds associated with the sale of uranium enrichment services. These receipts should be appropriated annually, along with all the other necessary funds for ERDA activities.

Function 300: NATURAL RESOURCES, ENVIRONMENT, AND ENERGY
(In millions of dollars)

ISSUE 9. Synthetic Fuels Program

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	0	503	+503		
Outlays.....	0	3	+3		

PRESIDENT'S REQUEST:

The President's budget proposes that a total of $6 billion in loan guarantees for commercial synthetic fuel projects be authorized starting in FY 1976. The President proposes to transfer the programs to the Energy Independence Authority in FY 1977, making it off-budget as well. Therefore, there is no FY 1977 budget request for this program.

The proposed program would provide various financial incentives besides loan guarantees -- such as price guarantees and construction grants -- for selected commercial demonstration projects involving coal gasification and liquefaction, for boiler fuels from coal, for shale oil, and for biomass conversion (urban and agricultural wastes into energy). In FY 1976, loans of up to $2 billion could be guaranteed requiring the appropriation of a reserve fund of $500 million for coverage against defaults. This reserve fund would require an FY 1976 supplemental budget request.

HOUSE COMMITTEE VIEWS & ESTIMATES:

The House Science and Technology Committee recommends that a smaller scale program, one involving $2 billion of loan guarantees for synthetic fuel development, be enacted. It recommends that $500 million of borrowing authority be appropriated to the ERDA administrator to cover any possible defaults in later years, together with $3 million in budget authority and outlays for program administrative and planning expenses, in FY 1977.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends adoption of the Science and Technology Committee's estimates for FY 1977.

Function 300: NATURAL RESOURCES, ENVIRONMENT, AND ENERGY
(In millions of dollars)

ISSUE 10. Initiatives Related to the Coastal Zone and the Outer Continental Shelf

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	0	300	+300		
Outlays.....	0	120	+120		

PRESIDENT'S REQUEST:

The President's budget requests no funds for initiatives related to the Coastal Zone and the Outer Continental Shelf. However, the Administration submitted a bill -- H.R. 11792, the Federal Energy Development Impact Assistance Act of 1976 -- on February 9, 1976, to deal with the possible adverse effects of offshore, as well as onshore, energy activities.

HOUSE COMMITTEE VIEWS & ESTIMATES:

The Merchant Marine Committee recommends an authorization increase of $277 million in budget authority and $85 million in outlays for the Coastal Zone Management Act Amendments. This bill passed the House on March 11, 1976, by 370 to 14. The Ad Hoc Select Committee on the OCS is planning to report H.R. 6218 -- the Outer Continental Shelf Lands Act Amendments of 1976 -- which will also have cost implications, though these costs have not yet been determined.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends that allowances of $300 million in budget authority and $120 million in outlays be made for these programs.

Function 300: NATURAL RESOURCES, ENVIRONMENT, AND ENERGY
(In millions of dollars)

ISSUE 11: Other New and Ongoing Natural Resources Programs

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	...	400	+400		
Outlays.....	...	250	+250		

PRESIDENT'S REQUEST:

HOUSE COMMITTEE VIEWS & ESTIMATES:

Several Committees recommend increased funding for programs under their respective jurisdictions. For example, the Interior Committee recommends increases for various recreational resources programs, surface mining, land use, and other programs; the Merchant Marine and Fisheries Committee recommends increases in a variety of programs, mainly those of the NOAA and those related to fish and wildlife; the Public Works Committee proposes increases for roads and trails associated with programs in this function; and the Education and Labor Committee proposes funding for the Young Adult Conservation Corps. The total of these requests amount to approximately $1,000 million in budget authority and $600 million in outlays.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends $400 million in budget authority and $250 million in outlays to fund some of these proposals.

Function 300: NATURAL RESOURCES, ENVIRONMENT, AND ENERGY
(In millions of dollars)

ISSUE 12. Tax Relief for Electric Utilities

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	(800)	...	(-800)		
Outlays.....	(800)	...	(-800)		

PRESIDENT'S REQUEST.

The budget provides a package of tax reductions for electric utilities designed to help generating facilities not using oil or gas as fuels. It is estimated to provide $800 million of tax relief in FY 1977, and $7 billion over the 5-year period ahead.

HOUSE COMMITTEE VIEWS & ESTIMATES.

The Ways and Means Committee was silent on this topic. In addition, no bill supporting this program has been introduced since its presentation last July.

CHAIRMAN'S RECOMMENDATION.

The Chairman recommends that no provision be made for this tax expenditure, thus increasing expected Federal revenues by $800 million in FY 1977 and by $7 billion over the 5-year period ahead.

FUNCTION 350: AGRICULTURE

351: Farm income stabilization
352: Agriculture research and service

DESCRIPTION OF FUNCTION:

This function includes approximately 1/2 of 1% of total outlays estimated in the President's FY 1977 budget. Programs in this function are designed to assist food producers, provide market information and services, and support food research. Stabilization programs (50% of total) include deficiency payments, disaster payments, product purchases, insurance, nonrecourse loans, and regular loans for eligible commodities and farmers. Services (25% of total) include Department of Agriculture administration, animal disease prevention, distribution of market information, and numerous regulatory activities. Research (25% of total) provides for direct support of federal biological research facilities, grants for state-supported facilities, and economic analysis.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Price support and related (Commodity Credit Corporation) programs
Federal crop insurance
FmHA farm loans
Research programs
Extension programs
Consumer protection, marketing and regulatory programs
Economic intelligence

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Department of Agriculture

Function 350: AGRICULTURE
(In billions of dollars)

CHAIRMAN'S RECOMMENDATION IN PERSPECTIVE

A. Comparative Analysis of Chairman's Recommendations	Budget Authority	Outlays
1975 Actual	5.9	1.7
1976:		
Second Budget Resolution	4.1	2.6
Current Level	4.1	2.9
1977:		
President's Request	2.3	1.7
CBO Path B	2.2	2.3
Committee Views & Estimates	2.5	2.9
Chairman's Recommendation	2.3	2.0

B. Chairman's Recommendation Over (+) Under (-)	Budget Authority	Outlays
1976 Second Budget Resolution	-1.8	-.6
1977 President's Request	...	+.3
1977 CBO Path B	+.1	-.3
1977 Committee Views & Estimates	-.2	-.9

Function 350: AGRICULTURE
(In billions of dollars)

SUMMARY OF CHAIRMAN'S RECOMMENDATION

Numbers rounded for presentation	Budget Authority	Outlays
President's Request.....	2.3	1.7
(Ongoing Programs BA: 2.3 ; O: 1.7)		
(New Initiatives -- not significant)		
Chairman's Recommendation:		
I. REESTIMATES:		
1. CCC: Commodities.....	...	+.3
II. FUNDING FOR ONGOING PROGRAMS:		
None		
III. FUNDING FOR NEW INITIATIVES:		
None		
CHAIRMAN'S RECOMMENDATION.....	2.3	2.0
COMMITTEE RECOMMENDATION.....		

Function 350: AGRICULTURE
(In millions of dollars)

ISSUE 1. Commodity Credit Corporation Reestimates

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	943.9	...	...		
Outlays.....	865.6	1,165.6	+300		

PRESIDENT'S REQUEST:

Since release of the President's budget it has become apparent that several changes in commodity support levels were required. Initially, the Administration request included $865.6 million. Recent information from the Department of Agriculture estimates the outlays for these programs at $1,049.2 million. Short-term export credits are projected at $450 million for new loans, one-half the rate of FY 1975 and FY 1976.

HOUSE COMMITTEE VIEWS & ESTIMATES:

The Agriculture Committee recommends the revised commodity estimates of the Department of Agriculture and adds additional sums for net interest, wool, and short-term export credits for a total of $1,368.2 million.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends increasing outlays for the Commodity Credit Corporation to accommodate the newly revised loan rates on feed grains, wheat, and cotton; the new soybean loan program initiated since release of the President's budget; changes in the rice legislation enacted in February; expected higher outlays from drought-induced disaster payments; anticipated increases for rice and other commodities; and other minor revisions in interest, etc. The level of short-term export credits reflects the President's budget level which operationally is at the discretion of the President.

Loan increases requested by the Agriculture Committee for non-commodity credit corporation programs can be accommodated without increasing budget authority or outlays. The President projects sales of all new and inventoried direct and insured loans; therefore, any additional loans can be handled similarly. The Farmers Home Administration administers a revolving loan account for farm loans under which loans are packaged and resold in the private market through the Federal Financing Bank. Additional loans needed for emergency farm, farm operating, and farm ownership purposes can also be resold, keeping additions to budget authority and net outlays at low levels.

FUNCTION 400: COMMERCE AND TRANSPORTATION

401: Mortgage credit and thrift insurance
402: Postal Service
403: Other advancement and regulation of commerce
404: Ground transportation
405: Air transportation
406: Water transportation
407: Other transportation

DESCRIPTION OF FUNCTION:

This function, which is highly volatile from year to year because of economic conditions, includes 4% of total outlays estimated in the President's FY 1977 budget. It provides for assistance to transportation and the regulation of commerce and credit. The transportation activities include major grant-in-aid programs to support state and local activities. Approximately 75% of the budget authority in the function requires current action. Nearly 60% of the outlays in the function are made to liquidate obligations entered into under contract authority provisions of various transportation assistance programs. The various mortgage credit and thrift activities in this function are budgeted to produce a significant surplus during FY 1977.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Highway construction and safety
Mass transit
Railroads
Airways and airports
Maritime subsidies
Coast Guard
Mortgage insurance programs
Rural housing programs
Payments to the Postal Service
Small business assistance
Regulatory agencies

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Department of Transportation
Department of Commerce
Department of Housing and Urban Development: FHA and GNMA
Department of Agriculture: FmHA
Postal Service
Small Business Administration
NASA: Aeronautical Research
Regulatory Commissions: CFTC, FCC, FTC, SEC, ICC, CAB, FMC

Function 400: COMMERCE AND TRANSPORTATION
(In billions of dollars)

CHAIRMAN'S RECOMMENDATION IN PERSPECTIVE

A. Comparative Analysis of Chairman's Recommendations	Budget Authority	Outlays
1975 Actual	32.4	16.0
1976:		
Second Budget Resolution	19.0	18.3
Current Level	15.8	17.4
1977:		
President's Request	17.9	16.5
CBO Path B	17.4	18.4
Committee Views & Estimates	29.2	23.4
Chairman's Recommendation	20.1	17.8

B. Chairman's Recommendation Over (+) Under (-)	Budget Authority	Outlays
1976 Second Budget Resolution	+1.1	-.5
1977 President's Request	+2.2	+1.3
1977 CBO Path B	+2.7	-.6
1977 Committee Views & Estimates	-9.1	-5.6

Function 400: COMMERCE AND TRANSPORTATION
(In billions of dollars)

SUMMARY OF CHAIRMAN'S RECOMMENDATION

Numbers rounded for presentation	Budget Authority	Outlays
President's Request.....	17.9	16.5
(Ongoing Programs BA: 16.5 ; O: 16.0)		
(New Initiatives BA: 1.4 ; O: 0.5)		
Chairman's Recommendation:		
I. REESTIMATES:		
None.		
II. FUNDING FOR ONGOING PROGRAMS:		
1. Highway construction programs.....	-2.6	+0.1
2. Mass transit programs.....	+0.1	+0.3
3. Railroad programs.....	-1.0	+0.4
4. Aviation and airport assistance programs.....	+0.2	+0.1
5. Small Business loans.....	...	...
6. Payments to postal service.....	+0.3	+0.3
7. Other unidentified items.....	+0.1	+0.1
III. FUNDING FOR NEW INITIATIVES:		
8. Mortgage market stimulus programs.....	+5.0	...
9. Coast Guard.....	+0.1	+*
IV. TAX EXPENDITURES:		
10. Waterway User Taxes		
CHAIRMAN'S RECOMMENDATION.....	20.1	17.8
COMMITTEE RECOMMENDATION.....		

*Less than $50 million.

Function 400: COMMERCE AND TRANSPORTATION
(In millions of dollars)

ISSUE 1. Highway Construction Programs
A. Federal Aid Highway Program Budget Authority

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	6,455	3,757	-2,698		
Outlays.....	...	...	...		

PRESIDENT'S REQUEST:

The President's budget requests $6.5 billion of contract authority in FY 1977 for the Federal-aid Highway Program, consisting of $6.7 billion of new authority offset by de-authorizations in connection with transfers to mass transit projects.

HOUSE COMMITTEE VIEWS & ESTIMATES:

The Public Works and Transportation Committee expresses the view that pending highway legislation should be the guide for budget authority estimates, but was unable by March 15 to predict the outcome of the conference on that bill.

CHAIRMAN'S RECOMMENDATION:

Based on the tentative agreement reached in the highway bill conference, an estimated $3.8 billion in contract authority will be provided for FY 1977. This is substantially below the President's estimate as a result of the conference agreement to phase in new apportionment dates to reflect the new October-September fiscal year.

In addition, the pending highway bill changes the method of computing transfers of funds from Interstate highway projects to mass transit projects. Under the new method, the impact on states of withdrawing a segment of Interstate highway funds would be spread over a number of years, thus reducing the President's offset figure.

The Chairman's recommendation incorporates the authority levels provided in the tentative conference agreement on the pending highway bill for the Federal-aid Highway Program.

Function 400: COMMERCE AND TRANSPORTATION
(In millions of dollars)

ISSUE 1. Highway Construction Programs
B. Federal-Aid Highway Program Outlays

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	...	...	...		
Outlays.....	6,720	6,720	...		

PRESIDENT'S REQUEST:

The President's budget proposes $6.7 billion of outlays under the Federal-aid Highway Program in FY 1977. This estimate assumes that new obligations during FY 1977 will be limited to a program level of no more than $6.7 billion.

COMMITTEE VIEWS AND ESTIMATES:

Estimates by the Congressional Budget Office indicate that the President's outlay figure for FY 1977 is high by some $400 million, as a result of lagging highway activity during FY 1976. However, both the Public Works and Transportation and the Appropriations Committees point out that the proposed limitation for FY 1977 is too low to accommodate a program at the levels authorized by Congress. The Public Works Committee further states its view that no obligation ceiling should be placed upon the trust fund in an amount less than that authorized.

Based on the tentative conference agreement on the highway bill, it is estimated that the program level authorized for the FY 1977 Federal-Aid Highway Program will be $6.8 billion. However, as a result of past Executive impoundments, as well as the existence of major projects which are long delayed on various grounds and may never be built, there is also a backlog of prior-year authority, resulting in a total of $12 billion being available to the states during FY 1977. A survey of State Highway Departments indicates demand for approximately $7.2 billion in obligations during FY 1977.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends that an obligation ceiling for the highway program be set at $7.2 billion, which is higher than the authorized program level for FY 1977, but is essentially the same as the limitation enacted for FY 1976. This ceiling will permit use of some formerly impounded funds and moves toward a situation in which the authorized levels are the primary determinant of the program size. Because of the lag in obligations during FY 1976, this increased program level can be accommodated within the President's outlay estimate.

Function 400: COMMERCE AND TRANSPORTATION
(In millions of dollars)

ISSUE 1. Highway Construction Programs
C. Other Highway Programs

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	274	369	+95		
Outlays.....	442	517	+75		

PRESIDENT'S REQUEST:

The President's request includes both contract authority and regularly appropriated funds for programs of the Federal Highway Administration and the National Highway Traffic Safety Administration.

COMMITTEE VIEWS AND ESTIMATES:

The Public Works and Transportation Committee recommends that the amounts contained in the pending highway bill be included for contract authority programs.

In the non-contract authority area, the pending highway bill transfers jurisdiction of several highway programs to the Appropriations Committee in compliance with section 401 of the Budget Act. Again, the Public Works and Transportation Committee recommends full funding at the authorized level for these programs, as does the Interstate and Foreign Commerce Committee with respect to motor vehicle safety programs under its jurisdiction. As the highway bill now stands, full funding for appropriated programs would require an increase of $635 million in budget authority over the President's request. The Appropriations Committee, based on its reading of the pending bill, indicates that it might add approximately $75 million to these programs.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends that the contract authority levels in the pending highway bill be used. This reduces the President's request for new contract authority from $120 million to $15 million, based on the change in apportionment dates. Offsetting this reduction would be an increase of $200 million for those programs now under Appropriations jurisdiction. This is higher than the Appropriations Committee estimate in light of the large number of programs transferred. Outlay increases for the appropriated programs are estimated at $75 million.

Function 400: COMMERCE AND TRANSPORTATION
(In millions of dollars)

ISSUE 2. Mass Transit Programs

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	771	826	+55		
Outlays.....	1,770	2,075	+305		

PRESIDENT'S REQUEST:

The President's request includes funds for the Urban Mass Transportation Administration at a program level slightly above FY 1976, for support of the Washington Metro project under existing law, and for special Metro funding resulting from discontinuing Interstate highway construction in the Washington area. Included in the President's estimates is a proposed limitation on the use of formula grants made to urbanized areas under the mass transportation program. Under this proposal, no more than 50% of an area's grants could be used for operating subsidies. This limitation results in short-term cash flow budget outlay savings, since funds obligated for capital projects are spent out at a slower rate.

COMMITTEE VIEWS & ESTIMATES:

Both the Appropriations and the Public Works and Transportation Committees suggest that the proposed 50% limitation requires substantive legislation that will not be enacted. This would have the impact of increasing FY 1977 outlays as fund recipients carry forward their existing arrangements to use formula grants primarily for operating assistance. The Appropriations Committee estimates the outlay impact at $250 million.

The Public Works and Transportation Committee further recommends that, in light of the demand for capital programs, the regular capital grant program be increased by the amount that would have been funded through the formula program. Outlays from an additional $325 million in capital grants are estimated at approximately $85 million.

The District of Columbia Committee proposes that, in addition to the contemplated use of highway funds for the D. C. Metro, a "back-stop" arrangement be legislated to authorize direct grants if the highway transfers do not materialize. This alternative method of financing would entail an additional $136 million in budget authority and approximately $450 million in added outlays.

The Appropriations Committee also recommends that funding be provided for the program of temporary special impact grants to commuter railroad authorities whose operating costs have risen substantially as a result of new cost-sharing arrangements under the Northeast rail reorganization. This proposal would add $55 million in budget authority and outlays. A first increment of funding under this program is contained in the pending railroad appropriation bill. The program will phase down in FY 1978 and be terminated thereafter.

CHAIRMAN'S RECOMMENDATION:

The Chairman's recommendation accepts the premise that no limitations will be placed on the use of formula grants, inasmuch as state and local governments have placed substantial reliance on the availability of these funds in developing long-term funding arrangements for mass transit operations. The recommendation also agrees with the Appropriations Committee view that special transitional funding for commuter rail operations will be provided on a cost-sharing basis with state and local agencies. It is assumed, however, that the President's proposal for D. C. Metro financing through highway transfers will be sufficient in amount and that if any alternative is necessary it will not exceed the President's allowance.

Function 400: COMMERCE AND TRANSPORTATION
(In millions of dollars)

ISSUE 3. Railroad Programs

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	2,221	1,271	-950		
Outlays.....	1,216	1,666	+450		

PRESIDENT'S REQUEST:

There are two notable elements in the President's request for railroad programs administered by the Federal Railroad Administration, the United States Railway Association and the Interstate Commerce Commission. First, the President proposes a significant hold-down in the rate of increase for subsidy payments to AMTRAK. Although the President proposes an increase of $44 million over the FY 1976 level, this is some $82 million below the amount that AMTRAK estimates will be needed to carry out all existing services. Second, the President's budget includes recommendations for only selected aspects of the railroad program authorized by the recently-passed Railroad Revitalization and Regulatory Reform Act. The President's budget proposes funding for purchase of CONRAIL securities and for limited beginning on the Northeast Corridor High-Speed Line, but not for other national railroad initiatives contained in that bill. A budget amendment covering further aspects of the Railroad bill is expected.

COMMITTEE VIEWS AND ESTIMATES:

Both the Appropriations Committee and the Interstate and Foreign Commerce Committee suggest that additional funding in the railroad area is required. To put their recommendations in perspective, the table below indicates the amounts that would be required for full funding of the various programs in question:

	Budget Authority	Outlays
	(In millions of dollars)	
. Retention of all present and planned AMTRAK routes	$82	$103
. Compensation to AMTRAK for new operating responsibilities in the Northeast Corridor	68	68
. Accelerated construction of Boston-Washington project, including outlays from 1976 supplemental	75	50
. Initial capitalization of the fund to purchase redeemable preference shares from national railroads	300	300
. Initial year operations of the national branch-line subsidy program	50	40
. Other studies and specialized programs	25	25
TOTAL	$600	$586

As against these totals, the Appropriations Committee suggests an aggregate increase of $500 million in budget authority and $440 in outlays. The Interstate and Foreign Commerce Committee makes specific recommendations totalling $400 million in budget authority and outlays, with particular emphasis on retaining all AMTRAK service.

It should be noted that the supplemental railroad appropriation bill has cleared conference. This bill provides multi-year funding for the purchase of CONRAIL securities, but spreads the funding in a fashion different from that proposed by the President. As a result, there is no need to provide for the $1.4 billion in budget authority contained in the President's request, although outlays are expected to be the same.

CHAIRMAN'S RECOMMENDATION:

The Chairman's recommendation incorporates the outcome of the appropriations conference with respect to purchase of CONRAIL securities. It also includes an additional $450 million in budget authority and outlays, to be divided among the various other railroad programs.

Function 400: COMMERCE AND TRANSPORTATION
(In millions of dollars)

ISSUE 4. Aviation and Airport Assistance Programs

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	2,372	2,562	+190		
Outlays.....	2,347	2,407	+60		

PRESIDENT'S REQUEST:

The most significant element in the President's request is that Airport Development Aid is set at $350 million in contrast to the $490 million level contained in the bill that has passed the House. The President also proposes to fund certain FAA operations out of the Airport and Airways Trust Fund, and to levy administrative charges for FAA licenses and certificates.

COMMITTEE VIEWS & ESTIMATES:

The Appropriations Committee suggests that the offsetting receipts for administrative charges will not be realized. The Committee further notes that the President's proposed airport aid level is below the anticipated level under pending legislation.

The Public Works and Transportation Committee recommends airport aid at the level in the House bill, which is substantially below the level proposed in the bill now pending in the Senate. The Public Works Committee agrees with the plan for financing FAA activities out of the Trust Fund, but at a lower level. The Committee also recommends increases in FAA equipment purchases, new initiatives for aircraft noise reduction, and financing of security costs of international airlines.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends that budget authority and outlays for the Federal Aviation Administration be increased to reflect the level of airport aid contract authority contained in the bill which has already passed the House. The remainder of the Public Works Committee recommendations are sufficiently small so that they can essentially be absorbed within the level of the President's request. The proposed initiative for aircraft noise abatement addresses a significant problem, but may involve substantial costs in future years. This program should be reassessed in terms of its budgetary implications when and if a specific legislative and financing proposal for future years is forthcoming. The Appropriations Committee recommendation on offsetting receipts is accepted.

Function 400: COMMERCE AND TRANSPORTATION
(In millions of dollars)

ISSUE 5. Small Business Loans

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	467	467	...		
Outlays.....	258	258	...		

PRESIDENT'S REQUEST:

The President proposes an appropriation of $467 million to the SBA business loan and investment fund, an increase of $189 million above the $278 million appropriated in FY 1976. He also recommends a shift in priorities away from direct loans and toward guaranteed loans:

	FY 1976	FY 1977	1976/77 Change
Administrative loan reservations:			
Direct loans.....	$ 230	$ 215	$ -15
Guaranteed loans.....	1,627	2,147	+520

HOUSE COMMITTEE VIEWS AND ESTIMATES:

The Small Business Committee recommends $350 million of budget authority over the President's budget (of which some small portion may be for the separate lease-guarantee fund) and estimates $250 million of added outlays. The Committee observes that these funds are primarily to provide for additional direct loans.

The Appropriations Committee suggests an additional allowance in the range of $150 million, primarily for the direct loan program.

CHAIRMAN'S RECOMMENDATION:

The Chairman's recommendation agrees with the Small Business and Appropriations Committees that the direct loan program should be emphasized, but observes that an increase for FY 1977 in the total amount of direct loans can be accomplished within the amounts recommended by the President by redirecting emphasis away from the guaranteed-loan method. Improving economic conditions with anticipated enhanced availability of credit to many established small businesses should also permit a higher priority for economic opportunity small business direct loans. Accordingly, the recommendation includes no additional funds over the President's Budget.

Function 400: COMMERCE AND TRANSPORTATION
(In millions of dollars)

ISSUE 6. Payments to Postal Service

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	1,459	1,766	+307		
Outlays.....	1,459	1,766	+307		

PRESIDENT'S REQUEST:

The President's request includes funds pursuant to the Postal Reorganization Act of 1970 for public-service costs ($920 million), for certain nonfunded liabilities of the former Post Office Department ($54 million), and for costs of free and reduced-rate mail ($485 million). The request, as in past years, does not include funds for free and reduced-rate mail costs which result from the provisions of P.L. 93-328 providing an extension of the period of time during which certain mailers are required to phase in to higher rates. Congress has heretofore provided for these costs.

HOUSE COMMITTEE VIEWS AND ESTIMATES:

Both the Appropriations Committee and the Post Office and Civil Service Committee recommend that the resolution include funds for the extended time provided for certain mailers to phase in to higher rates ($307 million).

The Post Office and Civil Service Committee recommends that $1,635 million be added for H.R. 8603, as reported on July 24, 1975, which would authorize appropriations for public-service costs, computed on the basis of $35 for each postal delivery address. (This computation is estimated to authorize $2,555 million in FY 1977, $1,635 million greater than the $920 million for public-service costs authorized under current law.) It also states that S. 2884 (Senator McGee), under consideration by the Senate Post Office and Civil Service Committee, would authorize appropriation of $2,460 million, an increase of $1,540 million over the current authorization.

H.R. 8603, as passed by the House on October 30, 1975, incorporates the Alexander amendment, which would return the financial affairs of the U.S. Postal Service to the unified budget, cover receipts into the Treasury general fund, and provide that all expenses be appropriated. The House Post Office and Civil Service Committee states that this bill would increase budget authority and outlays by $13,831 million and increase revenues by $12,950 million; and that $2,479 million would be added to the public debt from the accumulated postal operating deficit since 1971. The Post Office Committee recommends against enactment of the bill.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends $307 million for the extended phase-in provisions of P.L. 93-328, as in past years.

The Chairman recommends no additional funds for increased public-service costs. The statement of revenues and expenses of the Postal Service Fund (p. 921, Budget Appendix) shows the following:

	FY 1977 Amount (in millions)
Revenue:	
Postal revenue other than subsidies.....	$12,940
Anticipated subsidies.....	1,405
	14,344
Expenses:	
Funded costs, (operating items) excluding contingencies.....	14,589
Provision for contingencies.....	591
Unfunded costs (capital items).....	220
	15,400
Indicated deficit.....	-1,056

Of the indicated deficit, $307 million would be covered by the increased phase-in appropriation recommended above. Most of the remaining $749 million may be covered by the Postal Service allowance for contingencies. The Director of OMB has recommended that Congress refrain from action to increase postal subsidies until a thorough study has been conducted. The Chairman recommends no further additional funds at this time, to give the management of the U.S. Postal Service additional time to work out its problems, to determine the effects of lower rates of inflation on postal costs, and to permit postal volume under the new higher rates to stabilize before further subsidies are provided. Future rate increases must, under existing law, be calculated to cover costs.

Function 400: COMMERCE AND TRANSPORTATION
(In millions of dollars)

ISSUE 7. Other Unidentified Items

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...		96	+96		
Outlays.....		55	+55		

PRESIDENT'S REQUEST:

The President's request includes a number of small reductions and restraints in various programs which are likely to be restored by the Congress.

COMMITTEE VIEWS AND ESTIMATES:

Various committees identified such items, including funding for the Farmers Home Administration at current levels, additional funding for transportation safety, for NASA's aeronautical research program, and for various regulatory commissions.

CHAIRMAN'S RECOMMENDATION:

The Chairman's recommendation includes an allowance for these likely restorations to the President's budget.

Function 400: COMMERCE AND TRANSPORTATION
(In millions of dollars)

ISSUE 8. Mortgage Market Stimulus Programs

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	...	$5,000	+5,000		
Outlays.....	...	...	...		

PRESIDENT'S REQUEST:

The President's budget provides no additional funds for support of the private housing mortgage market.

HOUSE COMMITTEE VIEWS AND ESTIMATES:

The Committee on Banking, Currency, and Housing recommends extension of the 1975 Emergency Housing Act, which would otherwise expire on June 30, 1976, and that the $5,000 million balance of the originally authorized $10,000 million mortgage purchase authority be made available through Appropriations Committee action. It also recommends extension of the Emergency Homeowners' Relief Act through the end of FY 1977 with the $465 million balance of the originally authorized $500 million to be appropriated. Outlay estimates by the Banking Committee are $2,500 million for the Emergency Housing Act and $125 million for the Emergency Homeowners' Relief Act.

The Appropriations Committee states that it expects the authorization under the Emergency Housing Act to be extended and that up to an additional $5,000 million may be made available.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends including $5,000 million of budget authority for housing initiatives, within which may be included appropriations for the Emergency Homeowners' Relief Act, if necessary.

Inasmuch as recent months have seen a substantial increase in the number of private single-family housing starts, the Chairman recommends that use of the funds be channeled primarily to multi-family construction. Inevitable time-lags in this type of construction produce outlay effects in future fiscal years. At that time, it may also be expected that HUD will follow the usual practice of selling mortgages either to FNMA or in the private mortgage market shortly after they are acquired, so that outlays will arise only to the limited extent of capital losses from the purchase/sale transaction.

Function 400: COMMERCE AND TRANSPORTATION
(In millions of dollars)

ISSUE 9. Coast Guard

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	...	80	+80		
Outlays.....	...	50	+50		

PRESIDENT'S REQUEST:

The President's budget provides no funds for new initiatives relating to the Coast Guard.

COMMITTEE VIEWS AND ESTIMATES:

Both the Appropriations and the Merchant Marine and Fisheries Committees indicate that the Coast Guard's budget would have to be expanded to provide for the proposed legislation extending the economic zone to protect American fisheries to 200 miles. This legislation has now cleared conference committee and is expected to be passed and signed by the President. The two Committees' estimates of the cost of this proposal vary.

Merchant Marine and Fisheries also requests funding for additional icebreakers to serve the Great Lakes, for various other shore stations and improvements, and for added State aid for boating safety. The total request from the committee is for $144 million in budget authority and $15 million in outlays. The Appropriations Committee estimate is $80 million in budget authority and $50 million in outlays.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends that the Appropriations Committee estimate be included to cover the added costs of 200-mile limit patrols. The other items, while worthy of consideration, should be handled by reordering priorities within the President's request. It should be noted that full implementation of the 200-mile patrol will involve substantial additional procurement expense over the next 5 years as well as continuing operating expense.

Function 400: COMMERCE AND TRANSPORTATION
(In millions of dollars)

ISSUE 10. Waterway User Taxes

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...					
Outlays.....					

PRESIDENT'S REQUEST:

The President's Budget proposes that a user tax be levied on inland waterway traffic. While not specified, the likely option would be a fuel tax, the receipts from which would be classified as revenue. The estimated $80 million in income from this proposal is included in the President's revenue recommendations.

COMMITTEE VIEWS AND ESTIMATES:

The Public Works and Transportation Committee recommends that this proposal not be accepted. No other committee had comments.

CHAIRMAN'S RECOMMENDATION:

While the concept of waterway user charges is worthy of consideration in terms of broad transportation policy, it is premature to expect enactment of this tax in FY 1977. It should be considered in the context of other trust funds and financing mechanisms, a subject which several committees expect to take up next year. The President's revenue estimate should be reduced by this amount.

FUNCTION 450: COMMUNITY AND REGIONAL DEVELOPMENT

451: Community development
452: Area and regional development
453: Disaster relief and insurance

DESCRIPTION OF FUNCTION:

This function includes about 1% of total outlays estimated in the President's FY 1977 budget. During the past five years, the function has ranged between 1% and 2% of the Federal budget. Nearly all of the function requires current action by the Congress. In FY 1977, one program -- the Department of Housing and Urban Development's Community Development Block Grant Program -- accounts for over half of the budget authority in the function. The balance of the function is made up of a wide variety of smaller urban and rural development grant programs.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Community Development Block Grants
Rural Water and Waste Disposal Grants
Community Services Program
Economic Development Assistance
Appalachian Regional Programs
Indian Programs
Disaster Relief
Flood Insurance

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Department of Housing and Urban Development
Department of Agriculture: FmHA
Department of Commerce: EDA
Department of Interior: BIA
Small Business Administration
Community Services Administration
ACTION
District of Columbia

Function 450: COMMUNITY AND REGIONAL DEVELOPMENT
(In billions of dollars)

CHAIRMAN'S RECOMMENDATION IN PERSPECTIVE

A. Comparative Analysis of Chairman's Recommendations	Budget Authority	Outlays
1975 Actual	5.4	4.4
1976:		
Second Budget Resolution	9.5	7.0
Current Level	5.4	5.9
1977:		
President's Request	5.8	5.5
CBO Path B	6.9	7.6
Committee Views & Estimates	8.4	7.0
Chairman's Recommendation	6.5	6.2

B. Chairman's Recommendation Over (+) Under (-)	Budget Authority	Outlays
1976 Second Budget Resolution	-3.0	-.8
1977 President's Request	+.7	+.7
1977 CBO Path B	-.4	-1.4
1977 Committee Views & Estimates	-1.9	-.8

Function 450: COMMUNITY AND REGIONAL DEVELOPMENT
(In billions of dollars)

SUMMARY OF CHAIRMAN'S RECOMMENDATION

Numbers rounded for presentation	Budget Authority	Outlays
President's Request.....	5.8	5.5
(Ongoing Programs BA: 5.8 ; O: 5.5)		
(New Initiatives BA: -0- ; O: -0-)		
Chairman's Recommendation:		
I. REESTIMATES:		
1. Community Development Block Grants.....	...	+.4
2. Rejection of 1976 rescissions.....	...	+*
II. FUNDING FOR ONGOING PROGRAMS:		
3. Restoration of grant programs to FY 1976 levels...	+.7	+.2
III. FUNDING FOR NEW INITIATIVES:		
None.		
CHAIRMAN'S RECOMMENDATION.....	6.5	6.2
COMMITTEE RECOMMENDATION.....		

Function 450: COMMUNITY AND REGIONAL DEVELOPMENT
(In millions of dollars)

ISSUE 1. Community Development Block Grants

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	3,248	3,248	...		
Outlays.....	1,600	2,000	+400		

PRESIDENT'S REQUEST:

For the third year of HUD's Community Development Block Grant, the President has requested the appropriation of the total authorization available for the program. This amount is $446 million above the Fiscal Year 1976 appropriation.

HOUSE COMMITTEE VIEWS AND ESTIMATES:

The Banking, Currency and Housing Committee and the Appropriations Committee both recommend approval of the President's request. Neither Committee addressed the outlay estimation issue.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends that no change be made in the President's budget authority request.

The Chairman does, however, recommend a $400 million increase in the level of outlays for the block grant program. The President's outlay estimate appears to be too low, based on close monitoring of the program's expanding rate of outlays during the past six months. CBO's last estimate was $2.4 billion which now appears too high. All indications now are that $2 billion is the appropriate level.

Function 450 : COMMUNITY AND REGIONAL DEVELOPMENT
(In millions of dollars)

ISSUE 2. Rejection of 1976 Rescissions

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	...	...	...		
Outlays.....	...	38	+38		

PRESIDENT'S REQUEST

The President recommends the rescission of $141 million in FY 1976 budget authority for four programs--the Rural Water and Waste Disposal Grant, Rural Development Grant, and Rural Community Fire Protection Grant programs of the Farmers Home Administration, and the EDA of the Department of Commerce.

HOUSE COMMITTEE VIEWS AND ESTIMATES.

Congress has rejected all four rescission requests and the funds are expected to be released shortly.

CHAIRMAN'S RECOMMENDATION

The Chairman's recommendation assumes the impact of the rejection of these rescission requests, an addition of $38 million in outlays in FY 1977.

Function 450: COMMUNITY AND REGIONAL DEVELOPMENT
(In millions of dollars)

ISSUE 3. Restoration of Grant Programs to FY 1976 Levels

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	652	1,323	+681		
Outlays.....	941	1,171	+230		

PRESIDENT'S REQUEST:

The President's budget requests $652 million for a wide range of discretionary state and local government grant-in-aid programs, nearly $700 million below the FY 1976 actual funding levels for these activities. The programs involved are:

- Comprehensive Planning Grants and Rehabilitation Loans (HUD);
- Rural Water and Waste Disposal Grants, Rural Development Grants, and Rural Community Fire Protection Grants (FmHA/Agriculture Department);
- Community Services Administration;
- Economic Development Assistance and Regional Development programs (EDA/ Department of Commerce); and
- Indian Roads (BIA/Department of Interior).

HOUSE COMMITTEE VIEWS AND ESTIMATES:

House Committees (Agriculture, Banking, Education and Labor, Interior, and Public Works) recommend a total of $1.8 billion for these various programs, substantially above the prior year level.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends that $681 million be added to the President's request for these programs in order that the Appropriations Committee may restore the funding levels to those provided in FY 1976.

FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

501: Elementary, secondary, and vocational education
502: Higher education
503: Research and general education aids
504: Training and employment
505: Other labor services
506: Social services

DESCRIPTION OF FUNCTION:

This function includes approximately 4.2% of total outlays estimated in the President's FY 1977 budget. It includes programs designed to promote the general extension of knowledge and skills and to assist individuals to become self-supporting members of society; child development, elementary, secondary, and vocational education, and higher education programs; and employment and training and public service employment, grants to States for general social services, and rehabilitation services. Funds in this function may be made available as income support directly related to training or education; cash payments (scholarships, loans, or stipends) to persons to enable them to participate in education or training programs; grants to States, local governments, Indian tribes, or public and private institutions to operate local educational, employment training or social service programs; and direct research and departmental management expenditures. Of the $16.6 billion in outlays estimated in the President's FY 1977 budget, approximately half result from prior year commitments and half from current year actions. During the last five years, outlays in this function have grown from $11.6 billion in FY 1972 to an estimated $21 billion in FY 1976.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Financial assistance for elementary and secondary education (ESEA)
Occupational, vocational and adult education
Basic educational opportunity grants (BEOGS)
Other higher education programs
Comprehensive employment and training assistance (CETA)
Social service grants to states (Title XX)
Rehabilitative and developmental disabilities services

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Department of Health, Education, and Welfare
Department of Labor
Department of Interior
Department of the Treasury

Function 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES
(In billions of dollars)

CHAIRMAN'S RECOMMENDATION IN PERSPECTIVE

A. Comparative Analysis of Chairman's Recommendations	Budget Authority	Outlays
1975 Actual	15.5	15.2
1976:		
Second Budget Resolution	21.3	20.9
Current Level	18.5	19.6
1977:		
President's Request	15.9	16.6
CBO Path B	21.8	21.4
Committee Views & Estimates	30.0	27.6
Chairman's Recommendation	24.1	22.8

B. Chairman's Recommendation Over (+) Under (-)	Budget Authority	Outlays
1976 Second Budget Resolution	+2.8	+1.9
1977 President's Request	+8.2	+6.2
1977 CBO Path B	+2.3	+1.4
1977 Committee Views & Estimates	-5.9	-4.8

Function 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES
(In billions of dollars)

SUMMARY OF CHAIRMAN'S RECOMMENDATION

Numbers rounded for presentation	Budget Authority	Outlays
President's Request..... (Ongoing Programs BA: 10.1 ; O: 13.8) (New Initiatives BA: 5.8 ; O: 2.8)	15.9	16.6
Chairman's Recommendation:		
I. REESTIMATES:		
None.		
II. FUNDING FOR ONGOING PROGRAMS:		
1. All education programs ..... · Rejection of rescissions BA: ... O: +.9 · Restoration to 1976 base BA: +1.9 O: +.6	+1.9	+1.5
2. Provision for 550,000 public service jobs.....	+4.5	+3.0
3. Restoration of employment and training cuts plus minimum wage and inflation adjustment..... · Program restorations BA: 0.9 O: 0.9 · Wage & price adjustments BA: 0.4 O: 0.3	+1.3	+1.2
4. Rejection of lower funding for proposed Financial Assistance for Community Services block grant.....	+0.1	+0.1
5. Restoration of cuts for Older Americans program....	+0.1	+0.1
III. NEW INITIATIVES:		
6. Provision for child care funding.....	+0.2	+0.2
7. Hawkins-Humphrey Full Employment and Balanced Growth Act (H.R. 50).....	+0.1	+0.1
CHAIRMAN'S RECOMMENDATION.....	24.1	22.8
COMMITTEE RECOMMENDATION.....		

Function 500. Education, Training, Employment, and Social Services
(In millions of dollars)

ISSUE 1. Restoration of Education Funding

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	8,266	10,188	1,922		
Outlays.....	7,573	9,085	1,512		

PRESIDENT'S REQUEST

The President's request for all education programs is $8.3 billion. The budget request assumes congressional acceptance of $1.3 billion in FY 1976 rescissions, thereby holding the FY 1977 request generally to the proposed rescinded level. In addition, other funding reductions are proposed. The budget request proposes to forward fund occupational, vocational and adult education programs, thereby requesting both current year and forward funds for FY 1978 which would become available for obligation in FY 1977 (July 1977).

The President's proposal includes folding 24 education programs into a block grant, with funding at approximately the FY 1976 appropriation level. The block grant includes a $262 million inducement labeled in the budget request as "additional amount." The total request would be reduced by this $262 million if the Education and Labor Committee rejects the block grant proposal.

In total, the President's request is $1.3 billion below the actual and expected appropriations for FY 1976, assuming various supplementals in FY 1976. However, the President's FY 1977 request includes two-year funding, as noted above, for occupational, vocational, and adult education programs, versus one-year funding appropriated in FY 1976. Thus, to restore all individual education accounts to their FY 1976 appropriation levels would require an additional $1.9 billion.

HOUSE COMMITTEE VIEWS AND ESTIMATES.

House committees, largely Education and Labor, recommend spending of $12.5 billion. Sizeable increases are recommended by the Education and Labor Committee for elementary and secondary education, student and institutional higher education assistance, libraries, and handicapped programs. The Education and Labor Committee estimate includes two-year funding for occupational, vocational and adult education to permit moving this program to forward funding basis. The Appropriations Committee notes that $1.9 billion must be added to the President's request to restore programs to their anticipated final FY 1976 appropriated level.

CHAIRMAN'S RECOMMENDATION

The Chairman recommends restoration of education programs to their pre-rescission levels and denies reductions where non-rescinded programs are proposed below FY 1976 dollar levels. The Chairman's recommendation assumes an FY 1976 supplemental of about $700 million for education programs; these higher levels are built into his FY 1977 base for education division programs.

Function 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES
(In millions of dollars)

ISSUE 2. Provision for 550,000 Public Service Jobs

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	400	4,900	+4,500		
Outlays.....	1,465	4,510	+3,045		

PRESIDENT'S REQUEST:

The President's budget continues a 310,000 temporary public service jobs program through calendar year 1976, and then, as the economy improves, phases these jobs out by September 30, 1977. This would be accomplished by an FY 1976 supplemental of $1,700 million and an FY 1977 appropriation of $400 million targeted at those communities with unemployment rates of 6.5% or more for three consecutive months (CETA Title II).

HOUSE COMMITTEE VIEWS AND ESTIMATES:

Current funds support 310,000 jobs. The Education and Labor Committee recommends that a 600,000 jobs program be reached in FY 1976 and maintained during FY 1977. These extra jobs would be funded through enactment of an FY 1976 supplemental of $1,200 million allocated by formula to all communities (CETA Title VI) and authorized by the Daniels Bill (H. R. 11453) which passed the House February 10. The FY 1976 supplemental would be followed by an FY 1977 appropriation of $4,900 million for both Titles II and VI. The Appropriations Committee also assumes enactment of the Daniels Bill and a continuation of 600,000 jobs through FY 1977.

The Joint Economic Committee calls for one million public service jobs in FY 1977. This would cost $8,200 million in total, or $6,735 million more in outlays than the President's budget includes.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends that the Education—Labor and Appropriations Committee funding levels be accepted. However, with a per-job cost of about $8,200, outlays of $4,500 million would support 550,000 annual jobs. This was the jobs level provided in the second concurrent resolution on the budget for FY 1976.

Function 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES
(In millions of dollars)

ISSUE 3. Restoration of Employment and Training Cuts

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	2,654	3,908	+1,254		
Outlays.....	2,876	4,115	+1,239		

PRESIDENT'S REQUEST:

Based on continuing improvement in the economy, the President proposes lower funding for: (1) the Work Incentive Program (WIN); (2) the Job Opportunities Program (JOP); (3) employment and training under the Comprehensive Employment and Training Act (CETA Title I, III-V); (4) summer youth employment; and (5) Community Services for Older Americans.

-- Presidentially proposed legislation would delete $55 million in WIN funds for work and training services to welfare recipients.

-- No new temporary public works jobs will be funded in the JOP program administered by the Department of Commerce.

-- $1,994 million will be spent by states and localities under CETA for 466,000 man years of work and training experience, down from $2,459 million spent in FY 1976 to fund 518,000 man years.

-- 670,000 summer youth jobs are funded, 70,000 less than in FY 1976.

-- No funds are included to finance jobs for low-income elderly; 12,400 such jobs were provided in FY 1976.

HOUSE COMMITTEE VIEWS AND ESTIMATES:

House committees recommend over $4.1 billion in budget authority in FY 1977 for the five programs listed above, $1.46 billion more than included in the President's budget. The Education and Labor Committee states that it is unlikely it will consider the President's proposal to change WIN in time to affect the 1977 budget. It also recommends substantial program increases ($818 million) for CETA training activities, jobs for Older Americans, and summer youth employment. The Public Works Committee expects to extend the Job Opportunities Program to expedite job opportunities for those living in high unemployment areas by authorizing $500 million in FY 1977 to fund 100,223 jobs.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends retention of FY 1976 program levels for WIN, general training and employment programs under CETA, summer youth, and Community Services for Older Americans, plus adjustments for a higher legal minimum wage (from $2.10 to $2.30 per hour) and price increases. These adjustments would ensure that no individual currently in a training or job slot would have to be laid off. In addition, FY 1977 outlays are adjusted to reflect possible enactment of an FY 1976 supplemental for the Job Opportunities Program. The Chairman's recommendation would support approximately 600,000 man years of training and work experience, and 888,100 summer youth slots.

Function 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES
(In millions of dollars)

ISSUE 4. Rejection of Lower Funding for Proposed Financial Assistance to Community Services Block Grant

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	2,594	2,678	+84		
Outlays.....	2,591	2,673	+82		

PRESIDENT'S REQUEST

Under Title XX of the Social Security Act, grants are made to states under a $2.5 billion ceiling to provide social services such as counseling, family planning, child care, nutrition, and institutional care, as well as special services to the aged, handicapped, mentally retarded, alcoholics, and drug addicts. Separate funding of $60 million is provided to states for training public assistance personnel. The President proposes to convert both the social services and training grants into a single $2.5 billion block grant, entitled the Financial Assistance to Community Services Act. State matching requirements, currently a ratio of 75% Federal to 25% state, would be eliminated, and Federal administrative costs would be reduced.

HOUSE COMMITTEE VIEWS AND ESTIMATES

The House Ways and Means Committee recommends no change at this time until it can fully scrutinize the President's proposal.

CHAIRMAN'S RECOMMENDATION

The Chairman recommends that the Ways and Means Committee position be accepted. Grant money and Federal administrative funds are therefore restored.

Function 500: EDUCATION, TRAINING, EMPLOYMENT AND SOCIAL SERVICES
(In millions of dollars)

ISSUE 5. Restoration of cuts for Older Americans Program

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	193	300	+107		
Outlays.....	255	312	+57		

PRESIDENT'S REQUEST:

The President's budget proposes $193 million for programs for the aging authorized under the Older Americans Act, including community services, nutrition programs, and research and demonstration projects.

HOUSE COMMITTEE VIEWS & ESTIMATES:

The Appropriations Committee anticipates an FY 1976 supplemental of $112 million for Older Americans, above the FY 1976 appropriation of $193 million contained in the Labor-HEW Appropriation Act. The Education and Labor Committee recommends a FY 1977 program level which continues this higher rate of expenditures.

CHAIRMAN'S RECOMMENDATION:

The second budget resolution for FY 1976 assumed enactment of a supplemental for Older Americans funds. The Chairman recommends for FY 1977 adoption of the program level created by enactment of the FY 1976 supplemental. This matches the spending level suggested by the Education and Labor Committee.

Function 500: EDUCATION, TRAINING, EMPLOYMENT AND SOCIAL SERVICES
(In millions of dollars)

ISSUE 6. Provision for Child Care Funding

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	...	240	+240		
Outlays.....	...	200	+200		

PRESIDENT'S REQUEST:

None.

HOUSE COMMITTEE VIEWS & ESTIMATES:

The conference report on H.R. 9803 provides a temporary entitlement of $62.5 million in FY 1976 and $62.5 million in the transition quarter to enable states to comply with the Federal Interagency Day Care Requirements which went into effect on February 1, 1976. States operate child care services for current and former welfare recipients and low-income working persons under Title XX of the Social Security Act. The Ways and Means Committee proposes a permanent entitlement of $250 million annually beginning in FY 1977 to pay for these additional day care costs.

CHAIRMAN'S RECOMMENDATION:

The Chairman proposes adding $240 million in budget authority, $200 million in outlays. This is based on the fact that the FY 1976 supplemental will pay for some one-time costs involved in meeting health and safety standards in day care centers which will not recur in FY 1977.

Function 500: EDUCATION, TRAINING, EMPLOYMENT AND SOCIAL SERVICES
(In millions of dollars)

ISSUE 7. Hawkins-Humphrey Full Employment and Balanced Growth Act (H.R. 50)

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	0	50	+50		
Outlays.....	0	50	+50		

PRESIDENT'S REQUEST:

None.

HOUSE COMMITTEE VIEWS AND ESTIMATES:

The Education and Labor Committee recommends $50 million in budget authority and outlays for start-up administrative expenses for H.R. 50, the Full Employment and Balanced Growth Act. The bill would require the President to submit an annual plan to achieve full employment (3% unemployment within 4 years), establish a right to a job, and make various amendments to the Budget Act.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends that the Education and Labor Committee estimate be accepted to permit an expenditure of $50 million in FY 1977 to cover initial administrative costs.

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FUNCTION 550: HEALTH

551: Health care services
552: Health research and education
553: Prevention and control of health problems
554: Health planning and construction
555: General health financing assistance

DESCRIPTION OF FUNCTION:

This function includes almost 9% of the total outlays estimated in the President's FY 1977 budget. Its major purpose is to promote the physical and mental health of the population. Programs in this function include financing of medical care for aged, poor, and disabled persons; provision of health care for certain population groups, such as American Indians and merchant seamen; and grants to States, localities, and community groups to support health services programs. The function also includes research into the causes and cure of disease; promotion of consumer and occupational health and safety; training support for health workers and researchers; construction of health training and health care facilities; and food, drug, and other product safety and inspection programs.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Health insurance for the aged and disabled (Medicare)
Grants to States for Medical Assistance Programs (Medicaid)
National Institutes of Health
Alcoholism, drug abuse and mental health research, training and services
Health resources development
Health services to designated population groups
Disease prevention and control

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Department of Health, Education, and Welfare
Department of Labor
Civil Service Commission
Department of Agriculture: Animal and Plant Health Inspection
Department of the Interior: Mine Enforcement and Safety Program

Function 550: HEALTH
(In billions of dollars)

CHAIRMAN'S RECOMMENDATION IN PERSPECTIVE

A. Comparative Analysis of Chairman's Recommendations	Budget Authority	Outlays
1975 Actual	29.9	27.6
1976:		
Second Budget Resolution	33.6	32.9
Current Level	33.3	32.8
1977:		
President's Request	38.0	34.4
CBO Path B	39.3	37.7
Committee Views & Estimates	40.7	39.3
Chairman's Recommendation	39.3	38.2

B. Chairman's Recommendation Over (+) Under (-)	Budget Authority	Outlays
1976 Second Budget Resolution	+5.7	+5.3
1977 President's Request	+1.3	+3.8
1977 CBO Path B	...	+.5
1977 Committee Views & Estimates	-1.4	-1.1

Function 550: HEALTH
(In billions of dollars)

SUMMARY OF CHAIRMAN'S RECOMMENDATION

Numbers rounded for presentation	Budget Authority	Outlays
President's Request.....	38.0	34.4
(Ongoing Programs BA: 38.2 ; O: 37.2)		
(New Initiatives BA: -.2 ; O: -2.8)		
Chairman's Recommendation:		
I. REESTIMATES:		
1. Medicaid costs.....	+.3	+.3
2. Medicare revenue and costs.....	-.2	-.2
II. FUNDING FOR ONGOING PROGRAMS:		
3. President's legislative proposal for Medicare cost sharing and cost controls.....	...	+2.2
4. President's legislative proposal for a block grant in health	+.2	+.6
5. Spend-out in FY 1977 of FY 1976 Labor-HEW appropriation as result of veto override and rejection of rescissions	...	+.4
6. Partial restoration of 1976 base for controllable programs (1977 President's base: BA - $5.7; Outlays- $5.7)	+.7	+.3
7. Selected increases above 1976 base for controllable programs	+.4	+.1
III. FUNDING FOR NEW INITIATIVES		
8. Cost controls in Medicare and Medicaid.....	-.2	-.7
9. Benefit improvement-Medicare.....	...	+.7
10. National health insurance start-up costs.....	+.1	+.1
CHAIRMAN'S RECOMMENDATION.....	39.3	38.2
COMMITTEE RECOMMENDATION.....		

Function 550: HEALTH
(In millions of dollars)

ISSUE 1 & 2. Reestimates of Presidential Requests

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	32,330	32,438	+108		
Outlays.....	31,169	31,250	+81		

PRESIDENT'S REQUEST:

The President estimates Medicare budget authority to be $23,038 million and outlays of $21,877 million under current law. In addition, Medicaid budget authority and outlays are estimated to be $9,300 million.

HOUSE COMMITTEE VIEWS AND ESTIMATES:

Both the Appropriations and the Interstate and Foreign Commerce Committees consider the Medicaid estimate too low. Appropriations suggests adding $500 million to the President's estimates. Interstate and Foreign Commerce recommends the addition of $300 million in budget authority and outlays, based on the states' estimates of program costs.

No committee commented on the Medicare estimate; however, CBO suggests a reduction of $227 million in Medicare outlays based on slightly lower utilization rates.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends accepting the Interstate and Foreign Commerce Committee's estimate for Medicaid, which represents the full amounts estimated by the states for the Medicaid program, and adopting the slightly lower estimates for Medicare outlays developed by the CBO. Budget authority for Medicare is also calculated to be $200 million below the President's estimate based on lower estimates of revenue to be derived from the Social Security payroll tax.

Function 550: HEALTH
(In millions of dollars)

ISSUE 3. President's Proposal for Medicare Cost Sharing and Cost Controls

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	- 10	...	+ 10		
Outlays.....	-2,231	...	+2,231		

PRESIDENT'S REQUEST:

The President's budget proposes a series of modifications in the Medicare program including:

- Patient payment of 10% of the total cost of hospital and nursing home care up to a maximum of $500 per year.

- Increase in the deductible for physicians' services from $60 to $77, with the total patient liability for deductible and copayment expenditures not exceeding $250 per year. (The existing 20% patient copayment requirement would remain unchanged.)

The changes in the cost-sharing requirements and the limits on patient financial liability were initially estimated to result in a net Medicare savings of $1.3 billion. Subsequent to the submission of the budget, the President's proposal was modified to include the elimination of the limits on hospital and nursing home benefits. This change reduces the Medicare savings to about $430 million.

In addition to the above changes, the President proposes a series of cost controls designed to limit the increase in hospital reimbursements under Medicare to 7% and the increase in physician charges to 4% over the previous year. The budget anticipates that without cost controls, hospital costs will rise almost 15% in 1977 and physician charges about 10%. The cost-control proposals would reduce Medicare costs by $909 million.

HOUSE COMMITTEE VIEWS AND ESTIMATES:

The Ways and Means Committee advises that it has tentatively rejected the President's overall proposal, recommending instead a legislative program it considers to be "more desirable and equitable". The Ways and Means alternative proposal is described under Issue 8.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends accepting the Ways and Means rejection of the President's proposal for cost sharing and limits on patient fiscal liability and provider cost controls. The recommendation adds $2.2 billion to FY 1977 outlays in the Medicare program.

Function 550: HEALTH
(In millions of dollars)

ISSUE 4. President's Proposal for a Block Grant in Health

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	10,002	10,168	+166		
Outlays.....	9,001	9,604	+603		

PRESIDENT'S REQUEST:

The President proposes to consolidate Medicaid and 15 other categorical health planning, construction, and service programs into a single block grant to the states totaling $10 billion in FY 1977. States would have broad flexibility in population groups covered, services provided, and administrative policies. The proposal requires that 90% of the funds must be used for personal health services to low-income persons; the remaining 10% may be used for environmental health, health planning or construction programs.

The proposed $10 billion funding level represents an increase of about $400 million over the 1976 funding level for the programs incorporated in the block grant. However, the proposed funding level also represents a decrease of over $800 million from the amount required in FY 1977 to maintain all the categorical programs at their FY 1976 funded level and Medicaid at its FY 1977 current law level.

HOUSE COMMITTEE VIEWS AND ESTIMATES:

The Interstate and Foreign Commerce Committee rejects the President's block grant proposal as "unlikely to be adopted."

CHAIRMAN'S RECOMMENDATION:

The Chairman's recommendation accepts the Interstate and Foreign Commerce Committee's view that the President's proposal is not likely to be adopted and restores $166 million in budget authority and $603 million in outlays which would result from the adoption of the proposal. However, the Chairman's recommendation urges the Interstate and Foreign Commerce Committee to give serious consideration to the concept of combining comparable categorical programs into a single simplified grant. If applied judiciously, the concept has merit. Budgetary savings in future years resulting from simplified administration and improved coordination could be significant.

Function 550: HEALTH
(In millions of dollars)

ISSUE 5. FY 1977 Spendout of Higher FY 1976 Appropriations

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	---	---	---		
Outlays.....	0	407	+407		

PRESIDENT'S REQUEST:

The President's budget request for FY 1976 (in the FY 1977 budget) for health programs other than Medicare and Medicaid assumes a lower appropriation level than finally included in the Labor HEW Appropriation Act (P.L. 94-206). The President's request also assumes the approval of $240 million in proposed rescissions pending before the Congress. In total, the President's budget projects budget authority in FY 1976 approximately $900 million below the current estimate.

HOUSE COMMITTEE VIEWS AND ESTIMATES:

The Appropriations Committee states that the over-ride of the President's veto of the FY 1976 Labor-HEW appropriations bill and the rejection of proposed rescissions will add $407 million to FY 1977 outlays.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends accepting the Appropriations Committee estimate of the FY 1977 spend-out effect of Congressional action on the FY 1976 budget.

Function 550: HEALTH
(In millions of dollars)

ISSUE 6. Partial Restoration of FY 1976 Base for Controllable HEW Programs

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	4,773	5,451	+678		
Outlays.....	4,883	5,218	+335		

PRESIDENT'S REQUEST:

The President's budget proposes a reduction of over $900 million in budget authority in HEW health programs (other than Medicare and Medicaid) from the level appropriated in FY 1976, plus anticipated supplementals.) The reductions in health services programs are coupled with the proposal to convert 15 categorical grant programs into a comprehensive health care block grant. (See Issue #4). The lower funding would reduce such programs as maternal and child health (-$111 million), community migrant and mental health centers (-$110 million), bio-medical research (-$162 million), and manpower training and education facility construction (-$326 million)

HOUSE COMMITTEE VIEWS AND ESTIMATES:

The Interstate and Foreign Commerce Committee recommends restoring all programs to their FY 1976 program levels. The Appropriations Committee estimates as part of its "contingency" totals, the amounts necessary to raise budget authority in FY 1977 to the FY 1976 appropriated levels.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends an increase of $678 million above the President's request for HEW health programs, other than Medicare and Medicaid. This amount would not provide sufficient funds to restore all programs to their FY 1976 levels. The recommendation contemplates that the Congress can hold total appropriations about $200 million below the FY 1976 level through selective adjustment among programs which have not demonstrated capacity to achieve program objectives or programs which no longer have high priority status.

Function 550: HEALTH
(In millions of dollars)

ISSUE 7. Selected Increases Above 1976 Base for Selected Health Programs

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	4,773	5,173	+400		
Outlays.....	4,883	4,983	+100		

PRESIDENT'S REQUEST:

While the President's total budget for health programs, other than Medicare and Medicaid, proposes a reduction of $.9 billion in budget authority below the FY 1976 level, certain selected programs are provided increases in recognition of inflation (such as Indian health services) or to achieve real growth (as in drug abuse control). The total in program increases is about $.2 billion in budget authority for programs totaling $6.5 billion in budget authority in 1976.

HOUSE COMMITTEE VIEWS AND ESTIMATES:

The Interstate and Foreign Commerce Committee, in addition to recommending restoration of programs to the FY 1976 budget authority base ($.9 billion) and accepting the President's increases, also recommends an additional $.4 billion for program growth. Primarily, the Committee recommends fully funding the authorization levels in the House-passed Health Manpower Act of 1975 (H.R. 5546). In addition, increases are recommended for programs that can improve the efficiency of the health delivery system (HMO, PSRO, Health Planning) and programs that can expand health care delivery capacity (health centers, national health service corps). No real growth is recommended for bio-medical research.

The Committee on Interior and Insular Affairs recommends a substantial increase (63%) in Indian health services ($.2 billion in budget authority) to accelerate the rate of improvement in the health of the Indian population. The Education and Labor Committee proposes $.2 billion to improve programs directed toward occupational safety and health. Several other committees recommend relatively small program expansions and new initiatives which would add about $.1 billion in budget authority to the President's budget.

In total, the House Committees propose program expansions of approximately $.9 billion in budget authority and $.4 billion in outlays.

CHAIRMAN'S RECOMMENDATION:

The Chairman's recommendation provides $400 million in budget authority and $100 million in outlays to expand selected health programs above their FY 1976 levels. The recommendation urges the Appropriations Committee to give special attention to programs that have demonstrated capacity to moderate the increase in medical care prices by increasing the effectiveness and efficiency of the health care delivery system. A greater investment in programs such as health planning, PSRO development, HMO assistance, and urban and rural health centers may have substantial rewards in reducing the costs of the existing Medicare and Medicaid programs, as well as an eventual national health insurance program. Added recognition should also be accorded to on-going efforts to raise the health status of the Indian population. The Chairman's recommendation contemplates that funding increases for other programs deemed to be meritorious will be achieved through redirection within available funds.

Function 550: HEALTH
(In millions of dollars)

ISSUE 8. Cost controls in Medicare and Medicaid

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	See Issue	-200	-200		
Outlays.....	#3	-700	-700		

PRESIDENT'S REQUEST:

The President's budget proposes a series of cost controls designed to reduce Medicare outlays by $900 million. The controls would limit the increase in hospital reimbursements to 7% and the increase in physician charges to 4% over the previous year. The budget anticipates that without cost controls, hospital costs will rise almost 15% in FY 1977 and physician charges about 10%. No controls are contemplated for the Medicaid program since it would be made part of the proposed health block grant to the states.

HOUSE COMMITTEE VIEWS AND ESTIMATES:

Both the Interstate and Foreign Commerce Committee and the Ways and Means Committee endorse the concept of cost-control legislation to retard the increase in Medicare and Medicaid spending. The Interstate and Foreign Commerce Committee states that "...the Committee anticipates early and serious consideration of proposals designed to curb the rate of cost inflation in Medicaid...." The Ways and Means Committee states that "some limitation, set at a more reasonable and appropriate level than is provided for in the Administration's proposal, might be placed on increases in hospital costs...." Similarly, the Committee indicates action might be taken to develop a "more equitable and less inflationary method of reimbursement for physicians' services." Neither Committee assigns a specific cost savings figure for cost-control measures.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends that the totals for the health function assume the enactment of cost-control legislation designed to curb the rise in Medicare and Medicaid outlays. The recommendation anticipates that a reduction in hospital cost increases from 15% to about 10% (the President proposed a 7% "cap") would save about $700 million in Medicare and Medicaid spending, assuming implementation by January 1977. Full year savings in 1978 would be about $1 billion. The Chairman's recommendation recognizes that the imposition of cost limits on reimbursements by public programs will not, by itself, result in lowering overall hospital price increases. It is hoped, however, that private health insurers will voluntarily adopt comparable pricing policies following enactment of federal legislation. (It should be noted that in Detroit, the Blue Cross plan has imposed a 10% ceiling on hospital reimbursement increases.)

Function 550: HEALTH
(In millions of dollars)

ISSUE 9. Benefit Improvements - Medicare

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	---*	---	---		
Outlays.....	---*	700	+700		
*See Issue #3 for President's request figures					

PRESIDENT'S REQUEST:

The President's budget proposes limiting each Medicare patient's financial liability to $500 per year for hospital and nursing home costs and $250 per year for physician and other outpatient services. The costs to the program of these limits would be paid for through an expansion in the cost sharing required of each hospital and nursing home patient and an increase in the physician and other outpatient services deductible. In total, the package of patient liability limits and cost sharing would transfer $1.3 billion of costs from the federal budget to the Medicare beneficiaries. (This figure was later adjusted downward to $.4 billion through further improvements in benefits. See Issue #3 for additional details.)

HOUSE COMMITTEE VIEWS AND ESTIMATES:

The Ways and Means Committee has "tentatively rejected the President's overall proposal", concluding that an alternative combination of benefit improvements without accompanying increases in patient cost-sharing requirements "would represent a more desirable and equitable legislative program." The Committee proposes to consider proposals to limit beneficiary cost liability, liberalize skilled nursing home and home health benefits, and eliminate the present limitation on the number of covered hospital days. The Committee anticipates that the bulk of the costs of the expanded benefits in 1977 would be offset by cost-control legislation.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends recognition in the Health function of the Ways and Means intention to expand Medicare benefits in FY 1977. Preliminary efforts to "cost out" the alternatives in the Ways and Means Committee report indicates a possible range of costs from $400 million to $1.2 billion in FY 1977. The Chairman's recommendation includes a mid-point figure of $700 million. It should be noted that the full year costs in 1978 of the Ways and Means suggestions could range from $1 to $2 billion and by 1980 could cost from $1.5 to $2.7 billion.

Function 550: HEALTH
(In millions of dollars)

ISSUE 10. National Health Insurance - Start-Up Costs

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	---	100	+100		
Outlays.....	---	50	+ 50		

PRESIDENT'S REQUEST:

The President's budget includes no reference to or funding for national health insurance.

HOUSE COMMITTEE VIEWS AND ESTIMATES:

Both the Interstate and Foreign Commerce and Ways and Means Committees recommend the inclusion of funds to begin implementation of national health insurance legislation. The funds would be utilized to determine administrative policies and procedures and develop data processing systems and equipment requirements. Neither of the Committees anticipates the initiation of benefit payments in FY 1977.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends giving recognition to the intention of the authorizing committees to enact NHI legislation in FY 1977 by including $.1 billion in budget authority and outlays in the health function to accommodate the necessary NHI planning activities.

FUNCTION 600: INCOME SECURITY

601:	General retirement and disability insurance
602:	Federal employee retirement and disability
603:	Unemployment Insurance
604:	Public assistance and other income support

DESCRIPTION OF FUNCTION:

This function includes 35% of the total outlays estimated in the President's FY 1977 budget. In FY 1972, this function included 28% of total outlays. Programs in this function provide cash and in-kind benefits to people who need permanent or temporary income assistance. Over half of the estimated outlays will go to retirees through such programs as social security, Federal civilian retirement, and railroad retirement. Cash and in-kind assistance benefits include food stamps and other feeding programs, as well as subsidized housing. Cash benefits include aid to families with dependent children (AFDC), supplemental security income (SSI), and special benefits for disabled coal miners. Cash benefits for the disabled are provided through special programs, the largest of which is the disability insurance component of social security. Finally, unemployment benefits for workers temporarily out of work are included in this function. Of the $157.7 billion in budget authority requested in the President's budget, only 29% requires action by the Congress this year.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Old-age survivors and disability insurance
Railroad retirement
Special benefits for disabled coal miners
Federal employee retirement and disability
Unemployment insurance
Supplemental security income (SSI)
Grants to states for maintenance payments (primarily AFDC)
Housing assistance
Food stamps

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Department of Health, Education and Welfare
Department of Labor
Civil Service Commission
Department of Agriculture: Food and Nutrition Service
Department of Housing and Urban Development

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Function 600: INCOME SECURITY
(In billions of dollars)

CHAIRMAN'S RECOMMENDATION IN PERSPECTIVE

A. Comparative Analysis of Chairman's Recommendations	Budget Authority	Outlays
1975 Actual	159.3	108.6
1976:		
Second Budget Resolution	137.5	128.2
Current Level	137.5	128.3
1977:		
President's Request	157.7	137.1
CBO Path B	181.5	145.6
Committee Views & Estimates	160.5	144.1
Chairman's Recommendation	157.2	140.1

B. Chairman's Recommendation Over (+) Under (-)	Budget Authority	Outlays
1976 Second Budget Resolution	+19.7	+11.9
1977 President's Request	-.5	+3.0
1977 CBO Path B	-24.3	-5.5
1977 Committee Views & Estimates	-3.3	-4.0

Function 600: INCOME SECURITY
(In billions of dollars)

SUMMARY OF CHAIRMAN'S RECOMMENDATION

Numbers rounded for presentation	Budget Authority	Outlays
President's Request.....	157.7	137.1
(Ongoing Programs BA: 156.8 ; 0: 136.8)		
(New Initiatives BA: 0.9 ; 0: 0.3)		
Chairman's Recommendation:		
I. REESTIMATES:		
1. Increased costs for cash assistance programs (AFDC-SSI)	+0.6	+0.6
2. Higher cost-of-living increase and revenue reestimate for social security.....	-0.8	+0.1
3. Other reestimates: earned income credit, Federal employee retirement and workmen's compensation, railroad retirement.....	+0.5	-0.5
II. FUNDING FOR ONGOING PROGRAMS:		
4. Food stamp program.....	+1.0	+1.1
5. Child nutrition programs.....	+1.2	+0.6
6. Social security tax increase and benefit reductions..	-3.5	+0.7
7. Proposed legislative changes for public assistance...	+0.1	+0.1
8. Subsidized housing reestimate and proposed public housing rent increase.....	...	...
III. FUNDING FOR NEW INITIATIVES:		
9. One-percent kicker in Federal employee retirement and civil service retirement liberalizations.....	...	...
10. Black lung benefits	...	...
11. Extension of unemployment compensation.....	+0.4	+0.3
CHAIRMAN'S RECOMMENDATION.....	157.2	140.1
COMMITTEE RECOMMENDATION.....		

Function 600: INCOME SECURITY
(In millions of dollars)

ISSUE 1. Increased Costs for Cash Assistance Programs

FY 1977	President's Request Current Law	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	12,125	12,677	+552		
Outlays.....	12,125	12,677	+552		

PRESIDENT'S REQUEST:

The President's request under current law for the major cash assistance programs--Aid to Families with Dependent Children (AFDC) and Supplemental Security Income (SSI)--assumes savings of $585 million due to reduced error rates. The AFDC caseload is assumed to decline from 11.5 million to 11.3 million persons and average payments are assumed to increase 7.9% to $76 a month. The SSI caseload is assumed to increase 9.4% to 4.6 million (federal beneficiaries) and the federal benefit level to increase 6.7% in July. (The President also proposes legislative changes in AFDC to save $256 million in budget authority and outlays. This is covered in Issue 7.)

HOUSE COMMITTEE VIEWS & ESTIMATES:

The Committee on Ways and Means indicates that the requests for these programs is probably inadequate. The Appropriations Committee considers the request for AFDC to be underestimated by $200 - $800 million, and SSI to be underestimated by $350 million.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends that the current law funding level for these programs be increased by $552 million in budget authority and outlays. This level represents the CBO estimate, consistent with the Chairman's economic assumptions, of funding necessary to continue the programs under current law.

The funding change by program is:

Current Law
(in millions of dollars)

	President's Request (Budget Authority/Outlays)	Chairman's Recommendation (Budget Authority/Outlays)
AFDC	6,215	6,711
SSI	5,910	5,966
Total	12,125	12,677

Function 600: INCOME SECURITY
(In millions of dollars)

ISSUE 2. Higher Cost Of Living Increase And Revenue Reestimate For Social Security

FY 1977	President's Request (Current Law)	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	80,048	79,248	-800		
Outlays.....	83,558	83,695	+137		

PRESIDENT'S REQUEST:

The President's budget assumes a July 1976 social security benefit increase of 6.7% and a July 1977 increase of 5.9%.

HOUSE COMMITTEE VIEWS AND ESTIMATES:

The Committee on Ways and Means makes no reestimate of budget authority and outlays under current law.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends that budget authority be reduced by $800 million to reflect the revenue reestimate, consistent with the Chairman's economic assumptions. Outlays, as estimated by the Social Security Administration, would increase by $137 million. This occurs because the July 1976 benefit increase is estimated to be .2% higher than the President's projected increase and the July 1977 increase .1% lower. (Proposed legislation is discussed in Issue 6.)

Function 600: INCOME SECURITY
(In millions of dollars)

ISSUE 3. Other Reestimates

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	20,697	21,239	+542		
Outlays.....	14,906	14,370	-536		

This issue covers a number of reestimates and financial adjustments which do not include significant new policy issues. These are:

	President's Request		Chairman's Recommendation	
	BA	O	BA	O
Earned income credit payment	600	600	---	---
Civil service retirement (current law)	15,826	10,093	16,900	10,056
Federal workers compensation	535	535	635	635
Railroad retirement	3,736	3,678	3,704	3,679
Total	20,697	14,906	21,239	14,370

CHAIRMAN'S RECOMMENDATION:

.The earned income credit payment was initiated by the Tax Reduction Act of 1975 and provides low-income families with children a credit equal to 10% of income with a maximum credit of $400. The President has not requested extension of this tax credit beyond December 31, 1976. In the President's budget, this credit is treated as increasing budget authority and outlays in this function, while the Congress in the second budget resolution treated it as a revenue loss. The Chairman's recommendation concerning extension of the tax credit is covered in the revenue section.

.Federal employee retirement budget authority and outlays were reestimated by CBO to reflect the impact of the Chairman's economic assumptions as well as a projected increase in the unfunded liability from $97 to $108 billion. In FY 1977, 70% of the interest on the unfunded liability must be paid.

.The Appropriations Committee estimates that Federal workers compensation for on-the-job injuries will be $100 million in budget authority and outlays above the President's request.

.The minor railroad retirement reestimate reflects the net impact of the Chairman's economic assumptions and a reestimate by the Railroad Retirement Board. Railroad retirement cost-of-living increases are tied in part to social security increased.

Function 600: INCOME SECURITY
(In millions of dollars)

ISSUE 4. Funding Requirements to Continue Food Stamp Program, Including Reform

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	4,743	5,777	+1,034		
Outlays.....	4,708	5,777	+1,069		

PRESIDENT'S REQUEST:

The President's request for the food stamp program assumes savings of $1.4 billion from legislation or administrative regulations below the estimated current law costs of $6.2 billion.

HOUSE COMMITTEE VIEWS AND ESTIMATES:

The House Agriculture Committee currently is holding hearings on food stamp legislation. The Committee's March 15 report states: "The shape of the legislation that will emerge from the markup thereafter is too uncertain to be predicted." Thus, the Committee gives a range of $4.8 - 6.3 billion in budget authority and outlays. (The $6.3 billion estimate for current law has been revised downward to $6.2 by CBO.) The Appropriations Committee notes that additional funds would be needed if current law in continued.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends the addition of $1.0 billion in budget authority and $1.1 billion in outlays to continue the program substantially as it is, but with savings of $400 million due to program reform. The Chairman rejects large-scale cut-backs in the food stamp program.

However, improvements in the food stamp program are possible that would produce savings. These include changing itemized deduction provisions to the standard deduction; standardizing the purchase price requirement (the percentage of income that must be paid for food stamps); moving to a system under which benefits are based on last month's income rather than a prospective month's income; and elimination of automatic food stamp eligibility -- regardless of income -- for welfare recipients.

Function 600: INCOME SECURITY
(In millions of dollars)

ISSUE 5. Restoration of Cuts in Child Nutrition Programs

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	2,081	3,318	+1,237		
Outlays.....	2,367	3,003	+636		

PRESIDENT'S REQUEST:

As in FY 1976, the FY 1977 budget includes a proposed block grant consolidating the school lunch and other child nutrition programs such as school breakfasts, special milk, summer food, commodity distribution, and supplemental feeding for women, infants and children. The Administration argues that its proposal will enable:

.more low-income children to be fed,

.current subsidies to children in families above the poverty line to be eliminated, and

.states to be given more flexibility and responsibility in meeting the needs of their poor children.

The block grant would have outlays of $636 million below CBO's current law estimate.

HOUSE COMMITTEE VIEWS AND ESTIMATES:

The Education and Labor Committee recommends that sufficient funds be restored to this program to continue the program under current law. The outlay estimate proposed by the Committee is $104 million below the Administration's current law estimate.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends that the funding estimate of the Education and Labor Committee be accepted. This estimate was developed by CBO. The current program was authorized last year over the President's veto.

Function 600: INCOME SECURITY
(In millions of dollars)

ISSUE 6. Rejection of Social Security Tax Increase and Benefit Reductions, Except Monthly Retirement Test

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	+3,500	---	-3,500		
Outlays.....	-826	-155	+671		

PRESIDENT'S REQUEST:

The President proposes the following legislative changes in social security:

	(in millions of dollars) BA	O
. Increase by .3% both the employer and employee payroll tax. The current level is 5.85% on earnings up to $15,300.	+3,500	---
. Eliminate the monthly retirement test, but retain the annual test.	---	-155
. Eliminate reduced retroactive benefits, effective September 1976.	---	-388
. Phase-out student benefits over a four-year period starting in July 1976.	---	-283

HOUSE COMMITTEE VIEWS AND ESTIMATES:

The Committee on Ways and Means rejects all of these legislative proposals with the exception of elimination of the monthly retirement test.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends adoption of the Ways and Means Committee position.

Function 600: INCOME SECURITY
(In millions of dollars)

ISSUE 7. Partial Acceptance of Proposed Legislative Changes for Public Assistance

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	-256	-149	+107		
Outlays.....	-256	-149	+107		

PRESIDENT'S REQUEST:

The President proposes no legislative changes in the Supplemental Security Income (SSI) program.

The President proposes the following changes in the Aid to Families with Dependent Children (AFDC) program.

	Budget Authority/Outlays (In millions of dollars)
· Adopt the Medicaid matching formula to determine the Federal matching share (reducing grants for the 7 lowest payment States).	-70
· Include income of step-parent in determining AFDC eligibility.	-37
· Institute a standard work expense deduction in AFDC.	-149
TOTAL	-256

HOUSE COMMITTEE VIEWS AND ESTIMATES:

The Committee on Ways and Means recommends that savings of $149 million in budget authority and outlays be assumed from adoption of a standard work expense deduction for AFDC. The committee also proposes outlay increases to cover the following legislative initiatives.

· AFDC - Allow states to supplement with AFDC funds unemployed fathers who are collecting unemployment compensation. Currently, benefits from both programs cannot be collected, and the Supreme Court ruled last year that an unemployed father must be given a choice of which benefit to collect. The Ways and Means Committee estimates no cost for this legislation because the expected decrease in AFDC outlays of $335 million would be matched by an increase in unemployment compensation outlays. ---

	Budget Authority/Outlays (In millions of dollars)
SSI - The Ways and Means Committee recommends that outlays be included to cover H.R. 8911, which includes:	
-- Technical changes which HEW does not oppose.	+52
-- Mandatory pass-through of Federal SSI benefit increases in states receiving Federal assistance in supplementation.	+155
-- Extension of SSI to Puerto Rico, Guam and the Virgin Islands.	+126
-- Change benefit reduction from 33.3% to 20% for persons living in another household and receiving in-kind support.	+100
-- Disregard SSI benefit increases in determining eligibility for subsidies under Federal housing programs.	+17
TOTAL	+450

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends that the AFDC savings proposed through a standard deduction for work expenses be accepted, but that the outlay increases from proposed SSI legislation not be included. The provisions to which HEW does not object could be financed from savings through improved administration of the program, if such savings are forthcoming.

Function 600: INCOME SECURITY
(In millions of dollars)

ISSUE 8. Subsidized Housing Reestimate and Public Housing Rent Increase Rejection

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	17,092	17,092	...		
Outlays.....	3,080	3,080	...		

PRESIDENT'S REQUEST:

The President proposes sufficient funding to continue subsidized housing programs at essentially the current level. However, the President proposes to save $112 million in outlays by increasing the percentage of income which public housing tenants are expected to pay in rent.

COMMITTEE VIEWS AND ESTIMATES:

The Committee on Banking and Currency recommends rejection of the savings from increasing rental charges in public housing and that $24 million in outlays be added to continue through FY 1977 the section 235 (homeownership) program. The Appropriations Committee concurs in adding back the savings from the proposed rental increase and also assumes a $50 - $100 million outlay savings from a higher than anticipated carryover balance from FY 1976. This could result in budget authority savings of $3 billion due to the unique treatment of budget authority for these programs: budget authority equals the federal liability over the life of the contract (up to 40 years).

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends that the funding levels requested by the President be accepted. Although it is likely that outlays will be about $100 million lower than anticipated, these savings should offset the increased cost from rejection of the proposed rent increase for public housing. The Chairman's recommendation involves no change in the President's request for budget authority, because the carryover balance could be lower than currently estimated. Small adjustments in program level result in large savings in budget authority for this program.

Function 600: INCOME SECURITY
(In millions of dollars)

ISSUE 9. Elimination of One-Percent Kicker in Civil Service Retirement, and Benefit Liberalizations

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	...	...	...		
Outlays.....	-70	-70	...		

PRESIDENT'S REQUEST:

The President proposes the elimination of the one-percent kicker in civil service retirement. This provides civil servants a one-percent bonus with each cost-of-living increase. The President proposes no liberalizations of federal retirement benefits.

COMMITTEE VIEWS & ESTIMATES:

The Post Office and Civil Service Committee recommends elimination of the one-percent kicker but also proposes a change in the formula which would increase the frequency of cost-of-living adjustments. This would increase outlays by $130 million in FY 1977 (including $60 million in new costs and $70 million in foregone savings), although significant savings over the current procedures would result over the long run. The proposed change would make cost-of-living increases payable three months after the Consumer Price Index (CPI) has increased three percent for one month. Currently, the CPI must increase three percent for three months, and the increase is payable at the beginning of the fourth month after the increase has been triggered.

The Post Office and Civil Service Committee also recommends a number of retirement liberalizations for specific groups. None of these have significant cost implications. The Committee also proposes to increase the Government's contribution for life insurance, at an FY 1977 cost of $80 million.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends that the President's proposed savings from elimination of the one-percent kicker be included in the resolution. This special benefit is inequitable for the following reasons:

- Time lags exist through the economy in adjusting wages and benefits for inflation. For example, social security benefits are adjusted once a year. Since 1969, civil service benefits have been increased 10 times (including the 5.4% increase to be given in April).

- The Federal Government is more liberal in compensating its retired employees for inflation than are most public and private employers.

- Other than as taxpayers, current federal employees do not finance cost-of-living increases, including the one-percent kicker.

- CBO projects that the cost of the one-percent kicker could be as high as $4.7 billion (including military) over the next five years.

The Chairman recommends against inclusion of funds for retirement benefit liberalizations this year. Piecemeal liberalizations of federal employee retirement programs will make more difficult the systematic reassessment of the financing and benefit structure that is needed.

Function 600: INCOME SECURITY
(In millions of dollars)

ISSUE 10. Black Lung Benefits Reform

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	...	...	...		
Outlays.....	...	...	...		
Revenue.....	...	...	...		

PRESIDENT'S REQUEST:

The President proposes no legislation for the Special Benefits to Disabled Coal Miners program.

HOUSE COMMITTEE VIEWS AND ESTIMATES:

The Education and Labor Committee recommends funding of the cost of the Black Lung Benefits Reform Act (H.R. 10760) which passed the House on March 2, 1976. CBO estimates FY 1977 costs of the bill at $284 million in budget authority and $217 million in outlays, with an increase in revenues of $133 million from coal operator assessments paid to a trust fund to be established by this bill.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends that funding for H.R. 10760 not be included in the resolution. This bill creates a precedent for establishing industry-specific disability and retirement benefits that could be handled through social security.

Function 600: INCOME SECURITY
(In millions of dollars)

ISSUE 11. Net Cost of Extension of Unemployment Compensation

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	16,572	16,930	+358		
Outlays.....	16,872	17,214	+342		

PRESIDENT'S REQUEST:

The President's budget request is based on the following proposals:

- The Administration bill (H.R. 8614), which would extend coverage to about 6 million additional workers, would require that benefits equal at least half of the weekly wage but not exceed two-thirds of the state's average covered wage; and would increase the tax rate temporarily and the wage base permanently.

- No extension of Supplemental Unemployment Assistance (SUA). This program provides coverage to unemployed persons not covered by the unemployment compensation system.

- No extension of Federal Supplemental Benefits (FSB). This program extends benefits for a maximum of 26 weeks beyond the regular 39 weeks of coverage.

COMMITTEE VIEWS AND ESTIMATES:

The Committee on Ways and Means recommends the following:

- Funding for the Unemployment Compensation Act Amendments of 1975 (H.R. 10210). This bill, which was approved by the Ways and Means Committee in December 1975, would extend coverage to virtually all workers, and increase the tax rate temporarily and the wage base permanently.

- Extension of SUA for an additional year through December 1977 with benefits for persons already in the program payable through March 1978. This extension is recommended because the coverage extensions in H.R. 10210 will most likely be delayed a year.

- Continue FSB through the end of FY 1977. This extension of benefits is due to expire in March, 1977.

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Issue 11.
Function 600: INCOME SECURITY

CHAIRMAN'S RECOMMENDATION:

. The Chairman recommends that the legislative assumptions in the Ways and Means March 15 report be reflected in the estimates for unemployment compensation. The estimates were developed by CBO using the Chairman's economic assumptions. The Chairman assumes that the average unemployment rate in FY 1977 will be 6.8%, while the President assumed 7.1%. The difference reflects the lower than anticipated unemployment rate of the last several months.

The cost of the Chairman's recommendation is as follows:

	Outlays (In Millions)
Legislative Initiatives	
. Continuation of FSB (extension for insured unemployed)	+534
. Extension of SUA (coverage for uninsured unemployed)	+385
. Cost of H.R. 10210	+836
Total Legislative Initiatives	+1,755
Less:	
. Net savings from revised economic assumptions	-1,113
. Rejection of President's legislative proposal	-300
Net outlay increase.....	+342
Revenue loss.....	-1,600

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FUNCTION 700: VETERANS BENEFITS AND SERVICES

701: Income security for veterans
702: Veterans education, training, and rehabilitation
703: Hospital and medical care for veterans
704: Veterans housing assistance
705: Other veterans benefits and services

DESCRIPTION OF FUNCTION:

This function includes 4.4% of total outlays estimated in the President's FY 1977 budget. Most programs in this function are administered by the Veterans Administration in support of former members of the armed services and their survivors and dependents. Nearly half of the FY 1977 budget's projected outlays of $17.2 billion is for income security programs -- compensation, pensions, and life insurance; one-quarter goes to health care; and nearly one-quarter to readjustment (education and training), housing, and other benefits. Outlays grew by 70% from FY 1971 to FY 1975, due to cost-of-living increases enacted in the pension, compensation, and readjustment benefit programs, program liberalizations, and higher caseloads. Nearly the entire function requires current action by the Congress, yet the bulk of these outlays are virtually uncontrollable because of the entitlement nature of the major programs.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Veterans disability compensation
Survivors benefits
Veterans pensions
Veterans education and training (GI bill)
Veterans hospital and medical care
Veterans guaranteed housing loans
Veterans insurance

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Veterans Administration

Function 700: VETERANS BENEFITS AND SERVICES
(In billions of dollars)

CHAIRMAN'S RECOMMENDATION IN PERSPECTIVE

A. Comparative Analysis of Chairman's Recommendations	Budget Authority	Outlays
1975 Actual	16.7	16.6
1976:		
Second Budget Resolution	19.9	19.1
Current Level	19.7	18.9
1977:		
President's Request	17.7	17.2
CBO Path B	19.0	18.7
Committee Views & Estimates	20.3	19.8
Chairman's Recommendation	18.7	18.2

B. Chairman's Recommendation Over (+) Under (-)	Budget Authority	Outlays
1976 Second Budget Resolution	-1.2	-.9
1977 President's Request	+1.0	+1.0
1977 CBO Path B	-.3	-.5
1977 Committee Views & Estimates	-1.6	-1.6

Function 700: VETERANS BENEFITS AND SERVICES
(In billions of dollars)

SUMMARY OF CHAIRMAN'S RECOMMENDATION

Numbers rounded for presentation	Budget Authority	Outlays
President's Request.....	17.7	17.2
(Ongoing Programs BA: 17.7 ; O: 17.2)		
(New Initiatives BA: -0- ; O: -0-)		
Chairman's Recommendation:		
I. REESTIMATES:		
1. Caseload increase in veterans compensation and pensions.....	+.1	+.1
II. FUNDING FOR ONGOING PROGRAMS:		
2. Proposed reductions through legislation:		
· Elimination of duplicate burial benefits.....	+.1	+.1
· Restriction of readjustment (education) benefits.....	+.7	+.7
· Reimbursement from private health insurance.....	+.1	+.1
3. Extension of 8% veterans pension increase beyond September 30, 1976.....	...	...
III. FUNDING FOR NEW INITIATIVES:		
4. Cost-of-living increases in pension, compensation, and readjustment benefits.....	...	...
5. Other new initiatives.....	...	...
CHAIRMAN'S RECOMMENDATION.....	18.7	18.2
COMMITTEE RECOMMENDATION.....		

Function 700: VETERANS BENEFITS AND SERVICES
(In millions of dollars)

ISSUE 1. Caseload increase in veterans pensions and compensatio

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	7,972	8,072	+100		
Outlays.....	7,991	8,091	+100		

PRESIDENT'S REQUEST.

The President requests approximately $8 billion in budget authority and outlays for compensation and pensions.

HOUSE COMMITTEE VIEWS & ESTIMATES.

The House Appropriations Committee estimates that an additional $100 million is needed for caseload increases, stating that "it seems possible that the full 68,000 anticipated decline in caseload will not materialize."

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends this increase.

Function 700: VETERANS BENEFITS AND SERVICES
(In millions of dollars)

ISSUE 2. Proposed reductions through legislation

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	8,300	9,173	+873		
Outlays.....	8,372	9,245	+873		

PRESIDENT'S REQUEST:

The President proposes legislation to save:

.$85 million by eliminating burial benefits to the extent they are duplicated by other programs;

.$130 million by requiring reimbursement from private health insurers for health care provided by the VA to insured veterans with non-service-connected health problems; and

.$712 million in readjustment benefits, largely by repealing the 2-year delimiting date extension for veterans education benefits provided by P.L. 93-337.

HOUSE COMMITTEE VIEWS & ESTIMATES:

The Veterans' Affairs Committee recommends rejection of all except $54 million in readjustment savings (for termination of the PREP program and termination of eligibility for persons entering military service after July 1, 1976).

The Committee appears to accept the $130 million health care proposal with modification, so that the savings occur in future years. The Committee apparently doubts the legality and wisdom of interfering with existing private health insurance policies for which premium rates have been set based on current law. Thus, it would apply the reimbursement provisions only to new, renewed, or reviewed policies, and FY 1977 savings would be minimal.

CHAIRMAN'S RECOMMENDATION :

The Chairman concurs with the recommendations of the Veterans' Affairs Committee with respect to $54 million in readjustment savings; and with respect to the enactment of modified legislation for reimbursement from private health insurers to yield savings in future years.

Function 700: VETERANS BENEFITS AND SERVICES
(In millions of dollars)

ISSUE 3. Extension of 8% veterans pension increase beyond September 30, 1976

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	2,772	2,772	...		
Outlays.....	2,771	2,771	...		

PRESIDENT'S REQUEST:

The President's budget does not assume extension beyond September 30, 1976 of the 8% cost-of-living increase in veterans pensions effective January 1, 1976. This would mean an 8% cut in benefits veterans are now receiving.

HOUSE COMMITTEE VIEWS AND ESTIMATES:

The Veterans' Affairs Committee recommends extension of the increase at a cost of $200 million. The increase was limited to the 9-month period from January 1976 - September 1976 as a compromise in conference. The necessity for extension was assumed to give the Senate an opportunity to press again for a larger, more costly program overhaul.

CHAIRMAN'S RECOMMENDATION:

The Chairman finds the lack of extension in the President's budget to be an unrealistic assumption designed to reduce budget totals with the knowledge that an extension is both desirable and inevitable. No proposals are included in the President's budget to terminate at the beginning of FY 1977 cost-of-living increases granted in FY 1976 in any other program. The Chairman supports extension of the FY 1976 8% increase and urges the President to submit the appropriate legislative proposal to amend his budget.

Function 700: VETERANS BENEFITS AND SERVICES
(In millions of dollars)

ISSUE 4. Cost-of-living increases in veterans pension, compensation, and readjustment benefits.

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	12,845	12,845	...		
Outlays.....	12,946	12,946	...		

PRESIDENT'S REQUEST:

This year, the President proposes full cost-of-living increases for all programs automatically indexed by law. However, this year as last, he proposes no increase for the three largest veterans entitlement programs: pensions, compensation, and readjustment benefits.

HOUSE COMMITTEE VIEWS AND ESTIMATES:

The House Veterans' Affairs Committee recommends an approximate 7-8% increase in these benefits to assure equitable treatment for the beneficiaries of these non-indexed programs with the beneficiaries of automatically indexed programs such as social security. Additionally, the Committee recommends modest additional funds for general improvement of the veterans pension program.

CHAIRMAN'S RECOMMENDATION:

Excluding from the President's budget totals cost-of-living increases for veterans entitlement programs is a deceptive budget practice that should cease. The President's budget did not include proposals to deny cost-of-living increases in any other benefit program. The Chairman supports the cost-of-living increase for the veterans entitlement programs for FY 1977 and urges the President to submit the appropriate legislative proposal to amend his budget.

Function 700: VETERANS BENEFITS AND SERVICES
(In millions of dollars)

ISSUE 5. Other new initiatives

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	5	...	-5		
Outlays.....	4	...	-4		

PRESIDENT'S REQUEST:

The President recommends $5 million for proposed cemetery legislation.

HOUSE COMMITTEE VIEWS AND ESTIMATES:

The Veterans' Affairs Committee recommends other new initiatives of $204 million in budget authority and $203 million in outlays. These initiatives can be summarized as follows:

	BA	O
Health Care	110	110
Readjustment Benefits	74	74
Other	20	19

The Appropriations Committee estimates that savings of up to $438 million could result from legislative action to tighten or eliminate pre-payment provisions in the readjustment program.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends no new funds for other new initiatives. These initiatives could be funded in full from potential savings in the readjustment program due to legislative action with respect to pre-payment provisions.

FUNCTION 750: LAW ENFORCEMENT AND JUSTICE

751: Federal law enforcement and prosecution
752: Federal judicial activities
753: Federal correctional and rehabilitative activities
754: Law enforcement assistance

DESCRIPTION OF FUNCTION:

This function includes about 1% of total outlays estimated in the President's FY 1977 budget, a relative level it has maintained during the past five years. Nearly all of the function requires current action by the Congress. Over 20% of the function is attributable to a single program -- the Law Enforcement Assistance Program in the Department of Justice. The balance of the function is made up of various activities of the Federal government in the areas of law enforcement, prosecution, correctional activities, and the judiciary.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Drug Enforcement
Immigration and Naturalization
Legal Services
Customs
Prisons
Courts
Law Enforcement Assistance
Juvenile Delinquency Prevention

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Department of Justice
Department of the Treasury
Civil Rights Commission
EEOC
Legal Services Corporation

Function 750: LAW ENFORCEMENT AND JUSTICE
(In billions of dollars)

CHAIRMAN'S RECOMMENDATION IN PERSPECTIVE

A. Comparative Analysis of Chairman's Recommendations	Budget Authority	Outlays
1975 Actual	3.0	2.9
1976:		
Second Budget Resolution	3.3	3.4
Current Level	3.2	3.3
1977:		
President's Request	3.3	3.4
CBO Path B	3.6	3.7
Committee Views & Estimates	3.6	3.7
Chairman's Recommendation	3.4	3.5

B. Chairman's Recommendation Over (+) Under (-)	Budget Authority	Outlays
1976 Second Budget Resolution	+.1	+.1
1977 President's Request	+.1	+.1
1977 CBO Path B	-.2	-.2
1977 Committee Views & Estimates	-.2	-.2

Function 750: LAW ENFORCEMENT AND JUSTICE
(In billions of dollars)

SUMMARY OF CHAIRMAN'S RECOMMENDATION

Numbers rounded for presentation	Budget Authority	Outlays
President's Request.....	3.3	3.4
(Ongoing Programs BA: 3.3 ; O: 3.4)		
(New Initiatives BA: -0- ; O: -0-)		
Chairman's Recommendation:		
I. REESTIMATES:		
None.		
II. FUNDING FOR ONGOING PROGRAMS:		
1. Miscellaneous.....	+.1	+.1
III. FUNDING FOR NEW INITIATIVES:		
None.		
CHAIRMAN'S RECOMMENDATION.....	3.4	3.5
COMMITTEE RECOMMENDATION.....		

Function 750: LAW ENFORCEMENT AND JUSTICE
(In millions of dollars)

ISSUE 1. Miscellaneous

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	3,318	3,400	+82		
Outlays.....	3,426	3,500	+74		

PRESIDENT'S REQUEST:

The President proposes a total of $3,318 million in budget authority for the Law Enforcement and Justice function. Included within this proposal are a $103 million reduction from FY 1976 for the Law Enforcement Assistance Administration, an $18 million reduction from FY 1976 for the Legal Services Corporation, and a $47 million increase for the Federal Prison System to support the acceleration of construction or rehabilitation of certain correctional facilities.

HOUSE COMMITTEE VIEWS AND ESTIMATES:

The Appropriations Committee recommends accepting the President's reduction for LEAA and proposes to add a total of $96 million for other items, including the FBI, the Customs Service, and the Legal Services Corporation.

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends that a total of $82 million be added to the budget authority for this function, and urges a balanced allocation of funds among these various activities.

FUNCTION 800: GENERAL GOVERNMENT

801: Legislative functions
802: Executive direction and management
803: Central fiscal operations
804: General property and records management
805: Central personnel management
806: Other general government

DESCRIPTION OF FUNCTION:

This function covers the general overhead costs of the Federal Government. By far the largest proportion (about 60%) of new budget authority and outlays are attributable to operations of the Treasury Department (including the Internal Revenue Service). The balance is distributed among a large number of relatively small accounts. The Legislative Branch typically accounts for about one-fifth of the net total. Almost all of the budget authority and outlays are categorized as relatively controllable under current law.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Legislative branch activities
Federal buildings fund
Income-tax administration

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Congress and its agencies
Department of the Treasury
General Services Administration
Civil Service Commission
Department of Interior, Office of Territories

Function 800: GENERAL GOVERNMENT
(In billions of dollars)

CHAIRMAN'S RECOMMENDATION IN PERSPECTIVE

A. Comparative Analysis of Chairman's Recommendations	Budget Authority	Outlays
1975 Actual	3.1	3.1
1976:		
Second Budget Resolution	3.3	3.3
Current Level	3.5	3.3
1977:		
President's Request	3.5	3.4
CBO Path B	3.6	3.6
Committee Views & Estimates	3.8	3.7
Chairman's Recommendation	3.6	3.5

B. Chairman's Recommendation Over (+) Under (-)	Budget Authority	Outlays
1976 Second Budget Resolution	+.3	+.2
1977 President's Request	+.2	+.1
1977 CBO Path B	...	-.1
1977 Committee Views & Estimates	-.2	-.2

Function 800: GENERAL GOVERNMENT
(In billions of dollars)

SUMMARY OF CHAIRMAN'S RECOMMENDATION

Numbers rounded for presentation	Budget Authority	Outlays
President's Request.....	3.5	3.4
(Ongoing Programs BA: 3.5 ; O: 3.4)		
(New Initiatives BA: ... ; O: ...)		
Chairman's Recommendation:		
I. REESTIMATES:		
None.		
II. FUNDING FOR ONGOING PROGRAMS:		
1. Appropriations for the Legislative Branch, Treasury Department, Office of Territories, and GSA.	+0.1	+0.1
III. FUNDING FOR NEW INITIATIVES:		
None.		
CHAIRMAN'S RECOMMENDATION.....	3.6	3.5
COMMITTEE RECOMMENDATION.....		

Function 800: GENERAL GOVERNMENT
(In millions of dollars)

ISSUE 1. Appropriations for the Legislative Branch, Treasury Department, Office of Territories, and GSA

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	3,460	3,600	+140		
Outlays.....	3,433	3,500	+67		

PRESIDENT'S BUDGET:

The President's budget requests $3,460 million for this function, which is made up of a large number of relatively small items.

HOUSE COMMITTEE VIEWS AND ESTIMATES:

Various Committees have suggested minor additions for specific functions, which total approximately $300 million.

CHAIRMAN'S RECOMMENDATION:

The Chairman's recommendation would add budget authority to permit the Congress sufficient latitude to determine appropriate line-by-line amounts.

FUNCTION 850: REVENUE SHARING AND GENERAL PURPOSE FISCAL ASSISTANCE

851: General Revenue Sharing
852: Other general purpose fiscal assistance

DESCRIPTION OF FUNCTION:

This function includes about 2% of total outlays estimated in the President's FY 1977 budget. The General Revenue Sharing Program, enacted in 1972, accounts for nearly 90% of the function. The permanent appropriation provided for the General Revenue Sharing Program expires on December 31, 1976, resulting in 70% of the function being subject to current action by the Congress in FY 1977. The balance of the function is comprised of the New York City Seasonal Loan Program and the return of portions of certain taxes and other charges to states and local governments.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

General revenue sharing
New York City seasonal loans
District of Columbia Federal payment

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Department of the Treasury

Function 850: REVENUE SHARING AND GENERAL PURPOSE FISCAL ASSISTANCE
(In billions of dollars)

CHAIRMAN'S RECOMMENDATION IN PERSPECTIVE

A. Comparative Analysis of Chairman's Recommendations	Budget Authority	Outlays
1975 Actual	7.1	7.0
1976:		
Second Budget Resolution	7.3	7.3
Current Level	9.6	7.3
1977:		
President's Request	7.3	7.4
CBO Path B	7.4	7.4
Committee Views & Estimates	8.0	8.0
Chairman's Recommendation	7.3	7.4

B. Chairman's Recommendation Over (+) Under (-)	Budget Authority	Outlays
1976 Second Budget Resolution	*	+.1
1977 President's Request	...	...
1977 CBO Path B	-.1	-.1
1977 Committee Views & Estimates	-.7	-.6

*Less than an increase of $50 million.

Function 850: REVENUE SHARING AND GENERAL PURPOSE FISCAL ASSISTANCE
(In billions of dollars)

SUMMARY OF CHAIRMAN'S RECOMMENDATION

Numbers rounded for presentation	Budget Authority	Outlays
President's Request.....	7.3	7.4
(Ongoing Programs BA: 7.3 ; O: 7.4)		
(New Initiatives BA: -0- ; O: -0-)		
Chairman's Recommendation:		
I. REESTIMATES:		
None.		
II. & III. FUNDING FOR ONGOING PROGRAMS/FUNDING FOR NEW INITIATIVES:		
1. General Revenue Sharing/Counter-cyclical Assistance/ Taxable Bond Option.....	...	...
CHAIRMAN'S RECOMMENDATION.....	7.3	7.4
COMMITTEE RECOMMENDATION.....		

Function 850: REVENUE SHARING AND GENERAL PURPOSE FISCAL ASSISTANCE
(In millions of dollars)

ISSUE 1. General Revenue Sharing/Counter-cyclical Assistance/
Taxable Bond Option

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	6,542	6,542	...		
Outlays.....	6,542	6,542	...		

A. General Revenue Sharing

PRESIDENT'S REQUEST:

The President proposes $6,542 million for the General Revenue Sharing program, an increase of $188 million over the FY 1976 level. The increase is a continuation of the current law schedule of fixed incremental increases in the annual funding levels for the entire program. Current law funds the program through December 31, 1976.

HOUSE COMMITTEE VIEWS AND ESTIMATES:

The Government Operations Committee recommends an increase of $219 million over the President's proposal. The Committee points out that the President's reenactment legislation proposes to reduce current law for the revenue sharing entitlement period running from July 1 - December 31, 1976 by $75 million. The Committee recommends using current law as the basis for computing the current level of funding for the program. Using this approach, the Committee recommends continuing the program in FY 1977 at the FY 1976 level, estimated at $6,655 million. In addition, the Committee proposes to add $107 million to "hold harmless" certain local governments which would otherwise suffer reductions in their allocations due to changes in the allocation mechanism the Committee may adopt.

B. Counter-cyclical Assistance

PRESIDENT'S REQUEST:

The President has included no funds in his budget for counter-cyclical assistance to state and local governments. However, the President has expressed his support for a supplementary Community Development Block Grant funding bill sponsored by Representative Brown (R-Mich.).

Committee Recommendation	
Amount	Change

HOUSE COMMITTEE VIEWS AND ESTIMATES:

The Government Operations Committee states that counter-cyclical assistance legislation is pending before the Committee and may be considered. The Committee gives no funding estimate.

The Banking, Currency and Housing Committee comments that the supplementary Community Development Block Grant funding bill introduced by Representative Brown is pending before the Committee. The Committee notes that the cost is estimated at $375 million.

C. Taxable Bond Option

PRESIDENT'S REQUEST:

The President's budget does not include funding for a taxable bond option program for state and local government and agency securities. However, the Administration currently supports taxable bond option legislation premised upon a 30% interest subsidy mechanism.

HOUSE COMMITTEE VIEWS AND ESTIMATES:

The Ways and Means Committee recommends adoption of a taxable bond option (entitlement) program based upon a 40% interest subsidy approach. The Committee estimates that this program (proposed to being January 1, 1977) would require $181 million in budget authority and outlays in FY 1977. The Committee further estimates that the increased revenues under this proposal would be $136 million, resulting in a net cost to the budget of $45 million.

Committee Recommendation	
Amount	Change

CHAIRMAN'S RECOMMENDATION:

The Chairman recommends that a total of $6,542 million be provided for any combination of FY 1977 funding for General Revenue Sharing, Counter-cyclical Assistance, and a Taxable Bond Option. If the House decides to provide funding for either Counter-cyclical Assistance and/or a Taxable Bond Option program, then the President's proposed funding level for General Revenue Sharing should be reduced by that amount. All three programs provide flexible, unfettered fiscal assistance to state and local governments. In the context of a policy of returning most discretionary State and local government programs to FY 1976 levels and of restraining funding for new initiatives, the Chairman recommends that no more than $6,542 million should be provided for the three programs discussed above.

FUNCTION 900: INTEREST

901:	Interest on the public debt
902:	Other interest

DESCRIPTION OF FUNCTION:

This function is comprised almost exclusively of interest on the public debt, to which are added minor amounts of interest paid by the Federal Government (interest on income-tax refunds, for example) and from which are deducted offsetting receipts, such as interest paid by the Federal Financing Bank on behalf of its Treasury borrowings. The Treasury Department accordingly accounts for almost all of the transactions in this function. Typically, the interest function aggregates about 10% of total federal budget authority and outlays. None of the function is subject to current action by Congress. A substantial share of interest paid out by the Treasury under this function is recovered through trust fund receipts. In Fiscal Year 1975, for example, approximately 25% of gross interest payments were collected by government trust funds. In addition, a little less than 20% of interest payments are returned to the federal budget on the receipt side through deposit of excess earnings of the Federal Reserve System.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Interest on the public debt
Interest on income-tax refunds

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Department of the Treasury

Function 900: INTEREST
(In billions of dollars)

CHAIRMAN'S RECOMMENDATION IN PERSPECTIVE

A. Comparative Analysis of Chairman's Recommendations	Budget Authority	Outlays
1975 Actual	31.0	31.0
1976:		
Second Budget Resolution	35.4	35.4
Current Level	35.4	35.4
1977:		
President's Request	41.3	41.3
CBO Path B	42.2	42.2
Committee Views & Estimates	44.3	44.3
Chairman's Recommendation	42.0	42.0

B. Chairman's Recommendation Over (+) Under (-)	Budget Authority	Outlays
1976 Second Budget Resolution	+6.6	+6.6
1977 President's Request	+.7	+.7
1977 CBO Path B	-.2	-.2
1977 Committee Views & Estimates	-2.3	-2.3

Function 900: INTEREST
(In billions of dollars)

SUMMARY OF CHAIRMAN'S RECOMMENDATION

Numbers rounded for presentation	Budget Authority	Outlays
President's Request.....	41.3	41.3
(Ongoing Programs BA: 41.3 ; O: 41.3)		
(New Initiatives BA: -0- ; O: -0-)		
Chairman's Recommendation:		
I. REESTIMATES:		
None.		
II. FUNDING FOR ONGOING PROGRAMS:		
1. Interest on the public debt.....	.7	.7
III. FUNDING FOR NEW INITIATIVES:		
None.		
CHAIRMAN'S RECOMMENDATION.....	42.0	42.0
COMMITTEE RECOMMENDATION.....		

Function 900: INTEREST
(In millions of dollars)

ISSUE 1. Interest on the Public Debt

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	41,296	42,000	+704		
Outlays.....	41,297	42,000	+703		

(NOTE: The figures above are for the total interest function, to avoid confusion about the minor amounts for "other interest" and the offsetting receipts.)

PRESIDENT'S REQUEST:

The President's budget anticipates an increase of $66.7 billion in the gross federal debt upon which interest must be paid: $43.0 billion of budget deficit, $11.1 billion of off-budget deficit, and $12.4 billion of debt held by trust funds. The budget also assumes that the short-term interest rate (91-day bills) will average 5.5% during FY 1977. The total estimate reflects the standard OMB practice of assuming no significant change in the proportionate maturity make-up of the federal debt and a schedule of interest rates equivalent to those on the date the estimate was prepared.

HOUSE COMMITTEE VIEWS & ESTIMATES:

The Committee on Ways and Means suggests that interest rates may be higher than the 5.5% short-term rate assumed by the President and recommends adding $3 billion. The Appropriations Committee observes that estimates of interest have always been on the low side, and recommends adding $1 billion. The Banking and Currency Committee suggests legislation to eliminate interest payments on debt held by the Federal Reserve Open Market Committee, which would result in a reduction of $6 billion.

CHAIRMAN'S RECOMMENDATION:

The Chairman agrees that an increase in interest is required, but finds no reason to depart from the President's assumption of a short-term rate of 5.5% at this time. Since the estimates were prepared in early December, rates have been as low as 4-3/4% and as high as 5-1/4%. Rates during FY 1977 will depend, more than on anything else, upon Federal Reserve policy. However, inasmuch as a higher deficit will require higher interest payments, the Chairman recommends adding $700 million to reflect financing a $10 billion added deficit.

FUNCTION: ALLOWANCES

DESCRIPTION OF FUNCTION:

Allowances includes estimates for civilian agency pay increases and contingencies to cover anticipated expenditures not included in the accounts of any executive agency. This function includes 0.6% of the total outlays estimated in the President's FY 1977 budget. The pay raise for civilian agencies to take effect in October 1976 is approximately 30% of the function total. The remaining 70% is for additional contingencies for FY 1977. In FY 1976, contingency funds were used for Vietnam refugee assistance and salary increases for Federal Executives.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Civilian agency pay raise
Contingencies for other requirements

Function ALLOWANCES
(In billions of dollars)

CHAIRMAN'S RECOMMENDATION IN PERSPECTIVE

A. Comparative Analysis of Chairman's Recommendations	Budget Authority	Outlays
1975 Actual	0	0
1976:		
Second Budget Resolution	.5	.8
Current Level	.6	.9
1977:		
President's Request	2.6	2.3
CBO Path B	2.0	2.2
Committee Views & Estimates	2.9	2.6
Chairman's Recommendation	.8	.8

B. Chairman's Recommendation Over (+) Under (-)	Budget Authority	Outlays
1976 Second Budget Resolution	+.3	*
1977 President's Request	-1.8	-1.5
1977 CBO Path B	-1.2	-1.4
1977 Committee Views & Estimates	-2.1	-1.8

* Less than a decrease of$50 million.

Function: ALLOWANCES
(In billions of dollars)

SUMMARY OF CHAIRMAN'S RECOMMENDATION

Numbers rounded for presentation	Budget Authority	Outlays
President's Request.....	2.6	2.3
(Ongoing Programs BA: ; O:)		
(New Initiatives BA: ; O:)		
Chairman's Recommendation:		
1. Civilian agency pay raise.....	.0	.0
2. Contingencies for other requirements.....	-1.8	-1.5
CHAIRMAN'S RECOMMENDATION.....	.8	.8
COMMITTEE RECOMMENDATION.....		

Function: ALLOWANCES
(In millions of dollars)

ISSUE 1. Pay Raise Rates

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
050: NATIONAL DEFENSE					
Budget Authority...	1,398	1,398	...		
Outlays.....	1,391	1,391	...		
ALLOWANCES					
Budget Authority...	790	790	...		
Outlays.....	760	760	...		
TOTAL:					
Budget Authority...	2,188	2,188	...		
Outlays.....	2,151	2,151	...		

PRESIDENT'S REQUEST.

The President's Budget includes a pay restraint package which includes both administrative and legislative proposals. These proposals affect general schedule, active military, wage board employees and federal retirees.

Administration Proposal:

- Include secretaries, computer operators in survey
- Weight pay rates by Employment Distribution
- Start Fair Market Rental Plan for military housing
- Assume President will submit alternative plan of 3%-5% increases - average 4.7%

Legislative Proposals to Reform Wage Board Rates

Administration Proposal:

- Remove Monroney Amendment
- Uniform night shift differential
- Match average Federal Pay to average non-Federal pay
- Provice minimum 3% raise
- Assume average pay raise will be 3.4%

ISSUE 1. Pay Raise Rates

Impact of Rejecting President's Pay Proposals
($ Millions)

		FY 1977	(FY 77-81) Five-Year Total
Military and General Schedules			
	DOD	$503	$652
	Non-DOD	246	246
	Total	749	898
Pay Rate Increases			
President		4.7%	
Alternative		6.3%	
Wage Board			
	DOD	$241	$4,806
	Non-DOD	60	1,104
	Total	301	5,910
Pay Rate Increases			
President		3.4%	
Alternative		9.5%	
Retired Pay 1% Kicker			
	DOD	$112	$1,695
	Non-DOD	70	1,870
	Total	182	3,565
Total			
	DOD	$856	$7,153
	Non-DOD	376	3,220
	Total	1,232	10,373

HOUSE COMMITTEE VIEWS & ESTIMATES.

Appropriations:

Does not specifically address any change to the Administration proposals.

Armed Services:

Concurs in the Administration request to constrain active-duty pay and eliminate the 1% "kicker" on retired-pay increases. This concurrence is contingent on identical restrictions being applied to the entitlements of active and retired civilian personnel. Also, at this time the Committee does not support the Fair Market rental plan.

Post Office and Civil Service:

The Committee agrees with the administrative changes, but rejects all the proposed legislative changes for pay reform. It recommends elimination of the "1% kicker" but proposes to replace it with a procedure which will increase outlays in FY 1977, but save money in the long run.

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Page 3
Function: ALLOWANCES
ISSUE 1. Pay Raise Rates

CHAIRMAN'S RECOMMENDATION.

The Chairman recommends acceptance of the Administration's proposals on pay reform including elimination of the "1% kicker" for retired personnel on the basis that changes in the current legislation are required to correct inequities.

Function : ALLOWANCES
(In millions of dollars)

ISSUE 2. Contingencies for other Requirements

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	1,800	0	-1,800		
Outlays.....	1,500	0	-1,500		

PRESIDENT'S REQUEST.

The President has requested $1.8 billion in budget authority and $1.5 billion in outlays for contingencies to cover anticipated expenditures for which sufficiently detailed information is not available at the time the President submits the budget.

HOUSE COMMITTEE VIEWS & ESTIMATES.

CHAIRMAN'S RECOMMENDATION.

The Chairman recommends that there be no contingency in the Allowance function for FY 1977. The contingency allowance for new legislation will be distributed within each function.

	FY 1973	FY 1974	FY 1975	FY 1976	FY 1977
Contingencies as a percent of total outlays	.20%	.29%	.16%	.14%	.38%

FUNCTION 950: UNDISTRIBUTED OFFSETTING RECEIPTS

951: Employer share, employee retirement
952: Interest received by trust funds
953: Rents and royalties on the outer continental shelf

DESCRIPTION OF FUNCTION:

Undistributed Offsetting Receipts involves financial transactions that are deducted from budget authority and outlays of the government as a whole. As a result, the President's FY 1977 budget request is reduced by 4.2% in budget authority and 4.6% in outlays. The three principal items in this function are the employer share of employee retirement programs, composed of payments by federal agencies to employee retirement funds (23.7% of the function total); receipts from rents and royalties from oil leases on the outer continental shelf (31.9% of the function total); and interest received by certain trust funds (44.4% of the function total).

Function 950: UNDISTRIBUTED OFFSETTING RECEIPTS
(In billions of dollars)

CHAIRMAN'S RECOMMENDATION IN PERSPECTIVE

A. Comparative Analysis of Chairman's Recommendations	Budget Authority	Outlays
1975 Actual	-14.1	-14.1
1976:		
Second Budget Resolution	-17.1	-17.1
Current Level	-17.1	-17.1
1977:		
President's Request	-18.8	-18.8
CBO Path B	-15.3	-15.3
Committee Views & Estimates	-15.6	-15.6
Chairman's Recommendation	-15.9	-15.9

B. Chairman's Recommendation Over (+) Under (-)	Budget Authority	Outlays
1976 Second Budget Resolution	+1.2	+1.2
1977 President's Request	+2.9	+2.9
1977 CBO Path B	-.6	-.6
1977 Committee Views & Estimates	-.3	-.3

Function 950: UNDISTRIBUTED OFFSETTING RECEIPTS
(In billions of dollars)

SUMMARY OF CHAIRMAN'S RECOMMENDATION

Numbers rounded for presentation	Budget Authority	Outlays
President's Request.....	-18.8	-18.8
(Ongoing Programs BA: ; O:)		
(New Initiatives BA: ; O:)		
Chairman's Recommendation:		
I. Reestimates:		
1. Employer share, employee retirement.....	- .3	- .3
2. Rents and royalties on the outer continental shelf.....	+ 3.2	+ 3.2
CHAIRMAN'S RECOMMENDATION.....	-15.9	-15.9
COMMITTEE RECOMMENDATION.....		

Function 950: UNDISTRIBUTED OFFSETTING RECEIPTS
(In millions of dollars)

ISSUE 1. Employer Share, Employee Retirement

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	-4,468	-4,728	-260		
Outlays.....	-4,668	-4,728	-260		

PRESIDENT'S REQUEST.

The President assumes that $-4.5 billion in budget authority and outlays will be paid by Federal agencies to a retirement fund of its employees.

HOUSE COMMITTEE VIEWS & ESTIMATES.

CHAIRMAN'S RECOMMENDATION.

The Chairman recommends an increase in the amount that will be paid by Federal agencies to a retirement fund of its employees from $-4.5 billion to $-4.8 billion for budget authority and outlays. This is based on past experience of underestimates.

	FY 1972	FY 1973	FY 1974	FY 1975	FY 1976
estimate	-2.5	-2.9	-3.2	-3.6	-3.9
actual	-2.8	-2.9	-3.3	-4.0	-4.2
difference	- .3	0	- .1	- .4	- .3

Function 950: UNDISTRIBUTED OFFSETTING RECEIPTS
(In millions of dollars)

ISSUE 2. Rents and royalties on the outer continental shelf

FY 1977	President's Request	Chairman's Recommendation		Committee Recommendation	
		Amount	Change	Amount	Change
Budget Authority...	-6,000	-2,800	+3,200		
Outlays.....	-6,000	-2,800	+3,200		

PRESIDENT'S REQUEST:

The President's request assumes that $6.0 billion in budget authority and outlays will be received from leasing more lands on the coast for oil exploration.

HOUSE COMMITTEE VIEWS & ESTIMATES:

The House Interior Committee expects receipts from rents and royalties to be between $2.8 billion and $4.2 billion. The CBO concurred with the House Interior Committee's estimate. The House Appropriations Committee estimates between $3.0 billion and $5.0 billion in receipts.

CHAIRMAN'S RECOMMENDATION:

The Chairman adopts a $2.8 billion estimate, the lower limit of the CBO and Interior Committee views as the most likely estimate, although it should be recognized that the estimate may vary in either direction.

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